

**GOVERNMENT OF INDIA**

**MINISTRY OF COMMERCE AND INDUSTRY**



**COMMODITY CONTROLS COMMITTEE**

**1953**

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\*Not attached.

## INTRODUCTORY

*Appointment of the Committee.*—During the course of the debates in the House of the People on the Essential Supplies (Temporary Powers) Amendment Bill, 1952, on the 8th and 11th August 1952, the Minister for Commerce and Industry, Shri T. T. Krishnamachari, gave an assurance to the House that he would set up a Committee to examine the existing controls and streamline the various control Orders and Notifications that had been issued by the Government of India. Accordingly, the Commodity Controls Committee was appointed by the Government of India in the Ministry of Commerce and Industry by their Memorandum No. 24(31)-PC/52, dated the 24th October 1952. The Committee was constituted as follows:—

### *Chairman*

Shri S. V. Krishnamoorthy Rao, M.P., Deputy Chairman,  
Council of States.

### *Members*

Shri M. P. Pai, I.C.S., Joint Secretary to the Government of India, Ministry of Production.

Shri P. A. Gopalakrishnan, I.C.S., Joint Secretary to the Government of India, Ministry of Food and Agriculture.

Shri L. K. Jha, I.C.S., Joint Secretary to the Government of India, Ministry of Commerce and Industry.

Shri B. N. Lokur, Deputy Secretary to the Government of India, Ministry of Law.

### *Secretary*

Shri M. A. Mulky, Assistant Economic Adviser to the Government of India.

2. Since the Committee had also to review the working of the Drugs (Control) Act, 1950, the Committee, with the concurrence of the Ministry of Health, co-opted Shri P. M. Nabar, Drugs Controller (India), to join in its deliberations.

Consequent on Shri Gopalakrishnan's departure for Washington to attend the Special Session of the International Wheat Council in January 1953, Dr. S. R. Sen, Economic and Statistical Adviser, Ministry of Food and Agriculture, was appointed to serve as a Member of the Committee *vice* Shri Gopalakrishnan.

3. *Terms of Reference.*—The Committee's terms of reference as contained in the Ministry of Commerce and Industry Memorandum No. 24(31)PC/52, dated the 24th October 1952 were as follows:—

- (a) to examine and review the working of—
  - (i) the Essential Supplies (Temporary Powers) Act, 1946;
  - (ii) the Supply and Prices of Goods Act, 1950;
  - (iii) the Drugs (Control) Act, 1950,
 and the Orders and Notifications issued thereunder;
- (b) to make recommendations for the revision or repeal of any of the said laws with a view to improving the existing systems of controls; and
- (c) to streamline the Control Orders and Notifications.

The Committee was also guided in its work by the debates in the House of the People on the Essential Supplies (Temporary Powers) Amendment Bill, 1952, on the 8th and 11th August 1952, and the debates in the Council of States on the 29th and 30th July 1952.

4. *Method of Inquiry.*—The Commodity Controls Committee met immediately after its constitution on the 24th October 1952 and finalised the Questionnaire (*vide* Appendix I) which was issued on the 27th October 1952. Copies of the Questionnaire were sent to all State Governments, all Members of Parliament, all recognised Chambers of Commerce and Trade Associations, Trade Unions, the concerned Ministries of the Government of India, prominent businessmen and industrialists, economists and others interested. In all, more than 1,200 copies of the Questionnaire were issued. Replies to the Questionnaire were requested by the 20th November 1952. But as most of the State Governments, Chambers of Commerce and Trade Associations and others requested for an extension of time, the date was extended to 30th November 1952. The following table gives information in regard to the replies received by the Committee:—

	Copies of Questionnaire issued.	Replies received.
	No.	No.
I. State Governments, Ministries and Officials of the Government of India . . . . .	72	33
II. Chambers of Commerce and Trade Asso- ciations, Trade Unions, &c. . . . .	248	84
III. Members of Parliament . . . . .	715	7
IV. Individuals including prominent business- me industrialists and economists, Members of Prices Advisory Board, All India Handloom Board, etc. . . . .	182	5
	<hr/> 1,217 <hr/>	<hr/> 129 <hr/>

A list of the State Governments, Chambers of Commerce and Trade Associations, Trade Unions, and individuals from whom replies to the Questionnaire were received will be found in Appendix II.

5. The Committee began its work of examining witnesses on the 27th November 1952 at Delhi. Up to the end of December 1952, the representatives of the Governments of the States adjoining Delhi as well as representatives of Chambers of Commerce and Trade Associations located at Delhi, a few economists and some Members of Parliament were examined. During January to March 1953, the Committee visited Bombay, Lucknow, Madras, Bangalore, Patna, Calcutta, Shillong, Nagpur and Hyderabad to examine the representatives of the State Governments concerned, Chambers of Commerce and Trade Associations, Trade Unions and other interests. The Committee held 73 meetings at which it examined the representatives of 21 State Governments, 45 Chambers of Commerce and Trade Associations, 5 Trade Unions, and 41 individuals which included Members of Parliament, leading businessmen and economists, and certain officials of the Government of India. The Governments of Travancore-Cochin, Kutch and Saurashtra (who had already sent their written replies) expressed their inability to send their representatives to meet the Committee. A list of State Governments, Chambers of Commerce and Trade Associations, and Trade Unions, whose representatives were examined as well as individuals examined by the Committee will be found in Appendix III.

6. *Importance of the Inquiry.*—Commodity controls came to be introduced in this country during the last war as a purely emergency measure and had to be continued during the difficult period which followed the War and Partition of the country. As the controls are in respect of commodities which are essential for the life of the community and affect a large section of the population, naturally public attention has been focussed on the working of the controls and the question of their continuance. Prior to the appointment of this Committee also a number of studies had been undertaken. We may in this connection refer to the work of the Commodity Prices Board which during the period of its shortlived existence from February to September 1947 submitted about twelve Reports on certain commodities, such as cotton, cloth and yarn, iron and steel, coal, paper and *vanaspati*. The Board also submitted a Report on "Controls and their Continuance". Reference may also be made to the Uttar Pradesh Controls Inquiry Committee which was appointed on the 8th December 1950 and which submitted its Report on the 29th March 1952. The Committee's Report, it may be pointed out, deals mainly with the working of controls in Uttar Pradesh. The terms of reference of the present Committee were much wider than of its forerunners.



7. During the course of the debates in the House of the People on the Essential Supplies (Temporary Powers) Amendment Bill, 1952, in August 1952, the Minister for Commerce and Industry, while giving the assurance in regard to the appointment of a Committee to examine all the Control Acts and the Orders and Notifications issued thereunder, considered it desirable that the Governments of the States should also appoint similar Committees to examine the Control Laws enacted by them. We understand that the Ministry of Commerce and Industry addressed the State Governments in this regard and up to the date of the submission of our Report, the State Governments of Mysore, Hyderabad, Bihar, West Bengal, Madhya Bharat, PEPSU, Rajasthan, Bhopal, Bilaspur and Vindhya Pradesh, have appointed such Committees.

8. The Committee was requested to submit its Report by the end of January 1953. In view, however, of the complexity of the inquiry and the fact that it was necessary to examine representatives of the State Governments, Chambers of Commerce, Trade Associations and other interests, it became evident that the Committee would not be able to submit its Report by the date originally fixed and had to take more time. The submission of the Report could not be expedited also because the Members, who were working on the Committee part time, had to attend to their normal duties necessitating frequent absences from Delhi. Further, the amendment of the Industries (Development and Regulations) Act which took place in the last Session of Parliament made it necessary for the Committee to study certain problems afresh.

नमो भगवते वासुदेवाय

## CHAPTER II

### ORIGIN AND PRESENT POSITION OF COMMODITY CONTROLS

9. *The War Period.*—The necessity to control the prices, production and distribution of commodities arose during the last war. The greater part of the productive activity had to be directed for the prosecution of the war and the production of consumer goods for civilian use had to be cut down to essential needs only and their distribution had to be done equitably. Soon after the outbreak of the war, the Defence of India Act was enacted. Rule 81 of the Defence of India Rules, which were framed under the Defence of India Act, made provision "for regulating or prohibiting the production, treatment, keeping, storage, movement, transport, distribution, disposal, acquisition, use or consumption of articles or things of any description whatsoever." It was not until the entry of Japan into the war, however, that the powers vested in the Government of India came to be increasingly used. Iron and steel was the first important commodity to be brought under control. The Iron and Steel (Control of Distribution) Order which was issued on the 26th July 1941 and came into force on the 1st August 1941 had as its object the ensuring of supplies of iron and steel produced in India for war purposes and for meeting essential civilian requirements. Under the Order, restrictions were placed on the acquisition or disposal of iron and steel so that no person could acquire or dispose of iron and steel except under the authority of a licence issued by a Department of the Central Government or by a written order of the Iron and Steel Controller. Among foodgrains, wheat was the first important commodity to be brought under control. During the latter half of 1941 due to partial failure of the rice crop in 1940-41 and also the difficulty of obtaining supplies of rice from Burma, the internal demand for wheat increased. Coupled with this were the large purchases of wheat by the British Government for the army in the Middle East. The publication of the All-India Final Wheat Forecast for 1940-41 in August 1941 gave an indication of a shorter crop; prices of wheat rose sharply and the Government was obliged to take steps to keep prices within reasonable limits. On the 2nd November 1941, the Government of India issued a Press Note warning dealers that wheat prices would be brought under control if the situation deteriorated further. As prices continued to rise, the Government of India issued a Notification on the 5th December 1941 fixing the maximum wholesale prices of wheat at Rs. 4-6-0 per maund at Lyallpur and Hapur and extended it by suitable adaptation to

other markets. The Provincial Governments were requested to enforce this control in their respective areas. Subsequently, in April 1942, the Wheat Control Order was issued under which a system of licensing was introduced to control inter-provincial movements of wheat. Later on, in May, the Foodgrains (Futures and Options Prohibition) Order was issued under which all futures dealings in wheat and gram were prohibited. The Food Department was constituted in December 1942 for the purpose of integrating all the activities in regard to the purchase, distribution and movement of foodgrains on an all-India basis.

10. With the intensification of the war, the earlier months of 1943 were marked by shortages especially of consumer goods, and the prices of several classes of essential industrial goods rose very high. Measures had, therefore, to be taken by Government for not only keeping prices in check but also for increasing industrial production. These measures included the setting up of the Department of Industries and Civil Supplies in May 1943. One of the first tasks undertaken by this Department was the introduction of a comprehensive system of control over the production and distribution of cotton textiles. The Department also instituted several measures to eliminate black-marketing and to make consumer goods available to the public at reasonable prices. In June 1943, with the issue of the Cotton Cloth and Yarn (Control) Order, every phase of the activities of the cotton textile industry came under official control. Under the Order a Textile Control Board was appointed to tender advice to the Government of India. In October 1943 the Hoarding and Profiteering Prevention Ordinance was promulgated to prevent hoarding and profiteering, and prices were fixed for a large range of consumer goods. The Consumer Goods (Control of Distribution) Order was issued in July 1944 under which ceiling prices for certain articles were fixed. By this time, all the important commodities had been brought under control. Towards the end of the war, in June 1945, the Textile Industry (Control of Production) Order was issued to bring about rationalisation and standardisation of production of the textile mills.

11. *Immediate Post-war Period.*—With the cessation of hostilities, measures were taken to relax some of the controls; for example, a number of articles were removed from the Schedule to the Consumer Goods (Control of Distribution) Order. The Defence of India Act and Rules, and the various Orders issued thereunder were due to lapse on the 1st October 1946. While the Government did not consider it necessary to continue controls on all the commodities subject to controls during the war period, it was felt that controls had to be continued on certain commodities which were still in short supply.

and which were essential for the life of the community. As the Central Legislature had no power to make laws on the subject, the British Parliament passed the India (Central Government and Legislature) Act, 1946, conferring power on the Indian Legislature to legislate for controls in respect of certain commodities for a specified period. The Essential Supplies (Temporary Powers) Ordinance was then promulgated by the Government of India and came into force on the 1st October 1946 under which Central control over certain essential commodities was continued. The Ordinance was replaced on the 19th November 1946 by the Essential Supplies (Temporary Powers) Act, 1946. Power to legislate for control over more commodities was taken by amending the India (Central Government and Legislature) Act, 1946. The commodities brought under control were foodstuffs, cattle fodder, cotton and woollen textiles, raw cotton, cotton seed, paper including newsprint, petroleum and petroleum products, spare parts of mechanically propelled vehicles, coal, iron and steel, and mica. The Hoarding and Profiteering Prevention Ordinance was repealed early in 1948.

12. *The Period of Decontrol, 1947-48.*—With the attainment of independence in August 1947, there was a growing demand in the country that controls should be relaxed. It was urged that instead of curbing prices, controls actually forced the prices of commodities to rise. It was also alleged that the existence of controls led to black-marketing, corruption and other evils. Towards the end of 1947, therefore, Government decided to give a trial to the policy of decontrol. An experiment in decontrol was first made in regard to foodgrains, and later on extended to other commodities such as raw cotton, cotton cloth and yarn. Prices of certain commodities, e.g., steel, coal and cement were also revised upwards. But the experiment was shortlived, and controls were reimposed in August 1948 because prices instead of coming down, began to soar.

13. *Position after re-imposition of controls in August 1948.*—In August 1948, Government announced their decision in regard to the reimposition of control on cloth, providing for the fixation of ex-mill prices for cloth and yarn, the stamping of prices on cloth and yarn, and other matters. On the 21st August 1948, floor and ceiling prices for raw cotton were fixed and on the 24th September the policy in regard to foodgrains was announced, and controls over prices and procurement in respect of the major foodgrains were imposed again.

14. In July 1949, by an amendment to the Essential Supplies (Temporary Powers) Act, 1946 raw cotton (ginned and unginned), cotton seeds and coke were included within the purview of the Act. As prices of sugar were rising, in September 1949 the Government issued

an Order freezing sugar stocks with the factories and "futures" and "options" in sugar were banned. As it was feared that after devaluation in September 1949, there would be a rise in prices, Government announced their policy early in October 1949 in regard to the measures which would be taken to keep prices in check. These included reduction of 10 per cent in the retail prices of essential commodities, banning of forward trading in cotton seeds, fixation of ceiling prices of jute goods for export, etc. Government also took action to keep the prices of essential drugs and medicines in check by promulgating on the 3rd October 1949 the Drugs (Control) Ordinance which was applicable to all the Chief Commissioners' Provinces. As uniform action all over the country in regard to the control on drugs was considered necessary, the Governments of the other Provinces were asked to take legislative action on the lines of the Central Ordinance. The Central Ordinance was replaced on the 7th April 1950 by the Drugs (Control) Act, 1950, which extends to all Part C States, and the Governments of Part A and Part B States were asked to follow suit.

In the meanwhile the new Constitution of India came into force. Under the Constitution, trade and commerce, in, and the production, supply and distribution of, goods remained a State subject, though the Centre could assume power in respect of the products of industries the control of which would be declared by Parliament by law to be expedient in the public interest. Nevertheless, as Central Control of certain essential commodities was considered necessary for at least sometime, provision was made in article 369 that trade and commerce in, and the production, supply and distribution of, the commodities now covered by the Essential Supplies (Temporary Powers) Act should be a subject in the Concurrent List for a period of five years.

15. The measures taken by the Government of India to keep down the price level met with some success and the index number of wholesale prices fell from 393.3 in October 1949 to 381.6 in December 1949. But then a new situation arose consequent on the outbreak of the Korean War in June 1950. As a result of stockpiling and rearmament, world prices again began to rise sharply. India could not escape the effects of this development and consequently the prices of important industrial raw materials like sulphur, caustic soda, soda-ash, etc. as well as of imported and other consumer goods such as of bicycles, electric bulbs, infants' foods, etc. rose very high. Government had, therefore, to take stricter measures to arrest the rise in prices and to prevent hoarding and blackmarketing. By an amendment of the Essential Supplies (Temporary Powers) Act, more severe punishment in the case of hoarding of foodgrains was provided. As it became necessary for the Government of India to legislate on matters relating to trade and commerce, production, supply and

distribution of goods which were in the State List, Parliament on the 12th August 1950 assumed the necessary legislative powers after passing a Resolution under clause (1) of Article 249 of the Constitution. The Supply and Prices of Goods Ordinance, 1950 was subsequently promulgated on the 2nd September 1950 empowering Government to fix maximum prices and maximum quantities at which certain goods could be sold or held. The goods to which the Ordinance applied were non-ferrous metals, including brass (unwrought and semi-manufactured), bicycles, cycle tyres and tubes, electric bulbs, razor blades, caustic soda, soda-ash, tanning materials (wattle bark, wattle extract and quebracho), raw rubber, casein and infants' foods. Later, in November 1950, the Ordinance was made applicable to bicycle parts and accessories, tannery wool and Ostermilk. In December 1950, the Ordinance was replaced by an Act, namely, the Supply and Prices of Goods Act which applied to all the aforesaid goods and gave powers to Government to impose controls in respect of any commodity by bringing it within the scope of the Act by the issue of a notification. The Act was made applicable later to sulphur, chrome ore, certain textiles accessories and mill stores and raw jute and jute manufactures.

16. *Recent Relaxations of Controls.*—With the cessation of stockpiling on the part of the Western Powers, there was a downward trend in prices from July 1951. The decline began to be more pronounced in India, especially between January and March 1952. For the week ended 26th January 1952, the index number of wholesale prices stood at 428.8 compared with 460.0 which was the peak figure reached for the week ended 14th April 1951. By the middle of March 1952, the index number had declined further to 364.9. Thereafter, there has been a slight rise but on the whole the index number has been round about 380 to 400. Under the altered conditions, the Government of India have been relaxing controls from time to time.

17. *Existing Commodity Controls.*—The position as regards the existing commodity controls which have been the subject of our inquiry is as stated below.

Control under the Essential Supplies (Temporary Powers) Act, 1946, is at present exercised over the following commodities:—

1. Foodstuffs.
2. Cattle Fodder.
3. Cotton Textiles.
4. Raw Cotton.
5. Cotton seed.

6. Coal and Coke.

7. Iron and Steel.

Under the Supply and Prices of Goods Act, 1950, the following commodities are at present subject to control:—

1. Non-ferrous metals, including brass (unwrought and semi-manufactured).
2. Caustic soda.
3. Soda ash.
4. Tanning materials (wattle bark and wattle extract).
5. Casein.
6. Sulphur.
7. Tannery wool.

Under the Drugs (Control) Act, 1950, the prices of the following ten categories of drugs are at present controlled:—

1. Aureomycin.
2. Chloromycetin.
3. Dental Anaesthetics.
4. Hormones and glandular preparations.
5. Insulin.
6. Liver extracts.
7. Penicillin in all forms.
8. Sera, Vacines, toxins and anti-toxins.
9. Streptomycin.
10. Vitamins and vitamin preparations.

We shall later refer in detail to the working of controls on these particular commodities covered by the three Acts.

### CHAPTER III

#### EFFECTS OF COMMODITY CONTROLS ON THE ECONOMY OF THE COUNTRY.

18. Controls on commodities have been in existence in this country for more than a decade now, and the Committee thought it desirable to know from the interests affected the effects of these controls on the general economy of the country, and, in particular, on the production, distribution and the price structure of the commodities subject to control. The views of the different interests, as collected by us in regard to the working of commodity controls mainly in the post-war period, are given below.

19. *Views of Chambers of Commerce and Trade Associations.*—The Chambers of Commerce and Trade Associations are not unanimous in their views as regards the effects of commodity controls on the general economy of the country. One section holds the view that controls have failed in their objectives, and their effects on the general economy of the country have been adverse rather than beneficial. In support of this view, the Chambers point out that production of food crops and industrial production did not increase, mainly due to the fact that production controls were unimaginative. In regard to food crops especially, it was pointed out that actually while the production of cash crops increased, that of food crops decreased. As regards the supply and distribution of commodities also, some Chambers hold the view that the controls have not worked well. It was stated, for example, that commodities in spite of distribution control could not reach places where there was a great scarcity, while in many instances there was a glut of such commodities in some places. It was also pointed out that controls disorganised the old trade channels, and in their place a new set of people were brought in who had no experience of trade. Then again, as regards prices, they argued that as a result of controls, prices were not brought under check and they actually rose instead. Commodities were not available at controlled prices and black-markets have prevailed.

Another section of Chambers of Commerce and Trade Associations while critical of controls, on principle, are inclined to hold that they have worked fairly well on the whole. They agree that controls have helped in keeping prices down in so far as essential articles were concerned, and but for controls the inflationary situation might have got worse.



20. *Views of State Governments.*—A majority of the State Governments either in their written evidence or oral evidence before us expressed the view that the working of the three Control Acts have on the whole reacted well on the general economy of the country. It is pointed out by them that the existence of controls has not hampered production; in fact, that production of certain commodities actually increased. In regard to prices, the view is strong that controls had the desired effect of keeping prices steady if not lowering them. Prices of essential commodities, it is pointed out by them, were stabilised at reasonable levels. The State Governments are also of the view that proper supply and distribution of the commodities have been achieved as a result of controls. But for controls, equitable distribution of the essential commodities would not have been possible.

21. *Views of individuals.*—Among the individuals who submitted replies to our Questionnaire or who were orally examined by us may be mentioned Members of Parliament, economists, and other prominent public men. The majority of these witnesses were of the opinion that controls have on the whole been beneficial to the community, and but for their existence, equitable distribution of commodities would not have been possible. Besides, prices of essential commodities would have soared and the poorer sections of the community would have suffered. However, some of the witnesses while appreciating that controls might have been necessary during the war period were of the view that their continuance after the war emergency was over was not at all essential. They thought that controls had actually brought about adverse effects, and referred in this context to the prevalence of blackmarkets, corruption, hoarding and other evil practices.

22. *Recent Relaxations of Controls.*—We have already made a reference earlier in Chapter II to the recent relaxations of certain controls. The word "relaxation" in regard controls is used in two senses, namely, (1) when all types of control—production, distribution, price and movement control—in respect of a particular commodity or commodities, out of several commodities subject to control, are removed, and (2) when in respect of a particular controlled commodity or commodities, certain types of control to which they are subject are removed. In India, recent relaxations of controls have been mainly in the form of removal of certain types of control on particular commodities. For example, in regard to certain commodities the relaxations have been in respect of distribution and price control, production control being retained. Among the commodities controls over which have been relaxed may be mentioned foodgrains, sugar, *vanaspati*, cattle fodder (including oilcakes),

cotton seed, raw cotton, cloth and yarn and iron and steel, all covered by the Essential Supplies (Temporary Powers) Act, and bicycles, bicycle parts and accessories, cycle tyres and tubes, electric bulbs and infants foods under the Supply and Prices of Goods Act.

The Chambers and Trade Associations have generally welcomed the relaxations which they feel would react favourably on the economy of the country. It is, however, pointed out by some of them that it is yet too early to assess the results of the recent relaxations. Some of the Chambers refer to the fact that the relaxations have already resulted in an increase in production and a decline in prices. Some of them also admit that immediately after relaxations, prices of the commodities may have arisen, but their opinion is that after the first initial rise, prices are bound to come down.

23. The State Governments are divided in their opinion as regards the results of the recent relaxations of controls. Most of them feel, however, that it is too early to assess the effects of the relaxations on the general economy of the country. Some of them have pointed out that the relaxations in respect of certain commodities, e.g., foodgrains and the decontrolled varieties of cloth have brought about a rise in prices. Besides, relaxations have not resulted in any appreciable improvement in the supply position of the commodities.

24. The various individuals who appeared before the Committee were not specific in their views as regards the results of the recent relaxations of controls. Those who favoured the removal of controls altogether, naturally welcomed the relaxations which they said had brought relief to the consumers who could now get the decontrolled commodities, for example, foodgrains, in some of the States without the necessity of having to wait in queues. Others who favoured the retention of controls were rather sceptical of the beneficial effects of the relaxations and were inclined to think that relaxations would bring about a rise in prices which was not in the interest of the consumers.

25. The representatives of the Trade Unions examined by the Committee were critical of the effects of the recent relaxations. Their view was that with relaxations prices had risen in some cases. For example, it was pointed out to us that with decontrol of millets in Bombay, prices had gone up in certain areas. Then again, in regard to cloth, after decontrol, prices of superfine cloth had risen. One of the representatives admitted that in the case of decontrol of sugar, the consumer had been benefited to some extent.

## CHAPTER IV

### CONTINUANCE OF COMMODITY CONTROLS.

26. *Should Controls be continued?*—As we have already seen, controls on commodities were imposed in India during the war period mainly for the successful prosecution of the war. After the cessation of hostilities as the country was still in a state of emergency and it was thought that it would take some time for the economy to return to normalcy, the controls had to be continued. The Partition of the country, the post-devaluation difficulties, and the outbreak of the Korean War in June 1950, retarded the return to normalcy of the economy of the country, and actually controls had to be tightened to meet the new situation. The life of the Essential Supplies (Temporary Powers) Act had to be extended from time to time, and it is now due to expire on the 25th January 1955. The Supply and Prices of Goods Act was enacted after the passing of a Resolution by the Provisional Parliament under Article 249 of the Constitution on 12th August 1950. By further Resolutions dated the 7th June 1951 and 22nd July 1952, the life of the Resolution dated the 12th August 1950 has been twice extended. The Resolution is now due to expire on the 14th August 1953, and thereafter the Supply and Prices of Goods Act will remain in force for a period of six months i.e., up to the 14th February, 1954. The Drugs (Control) Act had also to be enacted. It will be seen that one of the Acts is due to expire shortly while another is due to expire in less than a year and a half. It, therefore, becomes necessary to take a decision in regard to the continuance of controls and the enactment of the necessary laws. The problem of the future of controls is a difficult one, but the advantages of taking a decision well in advance are obvious. We note that Government have, however, by accepting the Planning Commission's Report, indicated their broad policy. The views of the various interests placed before the Committee during the course of its inquiry will be helpful to Government in the final determination of their detailed policy regarding the continuance of controls. These views are summarised below.

27. *Views of Chambers of Commerce and Trade Associations on continuance of Controls.*—As stated earlier, a large section of the Chambers of Commerce and Trade Associations advanced the view that while controls were no doubt necessary during the war period, they have outlived their usefulness to-day. Even assuming, they

pointed out, that during the immediate postwar period continuance of controls was found necessary due to the fact that the economy of the country had not returned to normalcy, no such justification exists at present. They also stated that to-day production of many of the essential commodities had increased. Besides this, they referred to the fact that with the cessation of stockpiling, which had followed the outbreak of the Korean War, there has been an improvement in the supply position of industrial raw materials and consumer goods. Further, the seller's market which was in evidence soon after the outbreak of the Korean War has given way to a buyer's market to-day. The extreme view among this section is that all controls should be immediately abolished. But there is a section who are in favour of gradual removal of controls beginning with commodities whose production has increased and in respect of which no difficulties are experienced as regards their distribution. Among the commodities mentioned in respect of which it was suggested that controls can be removed were cotton textiles, raw cotton, coal and salt, which are covered by the Essential Supplies (Temporary Powers) Act, and caustic soda, soda-ash and non-ferrous metals covered by the Supply and Prices of Goods Act. As regards certain other commodities in respect of which relaxations of controls were suggested are iron and steel, and foodgrains (except wheat and rice).

28. *Views of State Governments.*—State Governments generally feel that controls should not be completely removed. Some of the State Governments are emphatic that the present circumstances do not permit the removal of controls. They are, however, prepared to consider this question further when production has increased still more. Other States feel that as production of certain commodities covered by the Essential Supplies Act, the Supply and Prices of Goods Act, 1950, and the Drugs (Control) Act, such as salt, etc., has already increased sufficiently, control on these commodities could now be removed. In regard to foodgrains, the State Governments agree that the problem is rather difficult and while some of them are opposed to the removal of controls on all foodgrains, others are of the view that except in respect of such foodgrains as wheat and rice, control should be removed. Some of the State Governments while holding the view that controls on certain commodities should not be removed suggest that the controls may be relaxed in respect of them in certain directions. For example, they suggest that while distribution control on certain commodities may be removed, price control should be allowed to remain. Among the commodities in respect of which relaxations are suggested are salt, cloth and yarn, cement and sugar.

29. *Views of Individuals and Trade Unions.*—Opinion among the various individuals whom we examined is not unanimous as regards the continuance of controls. Some of the individuals were rather strong in their view that the present is the opportune moment for removing controls. This view was based on the assumption that production had increased and there was no scarcity of commodities. They also pointed out that controls had resulted in mal-distribution of commodities, corruption, nepotism and other evils. Equally strong in their views were other individuals who held that in the context of the present economic conditions in the country, controls were still necessary. They argued that it would be wrong to deal with the problem by removing controls just because the administration of controls had resulted in various malpractices. They pointed out that the way to attack the problem was to improve the administration of controls by rooting out corruption, etc. so that the controls may work smoothly in the interest of the good of the community.

30. Some of the Trade Union representatives stated to us that controls should be kept in order to ensure a minimum guaranteed supply to the consumers, especially in respect of essential articles like food, clothing, etc. They cautioned against what might appear to be an abundance of supply when what had actually happened was that because of higher prices and the lack of purchasing power of the consumer, consumption had decreased. Therefore, they suggested that no hasty decision as regards decontrol should be taken without reliable data both in regard to supply and prices.

31. *Planning Commission's views on controls.*—At this stage it would be relevant to refer to the Planning Commission's views on controls, which have been accepted by Government for its guidance. The Planning Commission in its Report on the Five Year Plan has referred to the problem of controls and their place in a system of planned economy. We can do no better than give the following quotations from the Report on this subject matter:—

“A major problem in this connection is the role of controls in a planned economy. This is a subject which has many aspects and it is possible in this field to fall into a doctrinaire approach which, however, sound on abstract theoretical considerations, may prove unworkable in practice. On the other hand, an excessive elasticity of approach to this question may lead to a negation of planning itself. To some extent, over-all controls through fiscal, monetary and commercial policy can influence the allocation of resources, but

physical controls are also necessary. Given the fact, that, in the initial stages of development it is the excessive pressure on a few commodities which tend to limit the rate of progress, the extent to which physical controls are needed to supplement financial controls may even be regarded as a measure of utilisation that is being made of surplus resources (like manpower) in the system. The targets of production defined in a plan cannot also be achieved unless a structure of relative prices favouring the desired allocation of resources is maintained. The working of controls during and since the war has demonstrated clearly that if production in a particular line, say, foodgrains, has to be increased, the necessary incentive for the producer cannot be created unless the prices of alternative crops are controlled. In an economy which starts from a low level of output, increases in several lines of production will be found necessary. A simultaneous increase in production in all lines is not possible by merely raising the money reward for work. In the case of certain key commodities, it may be necessary to keep down prices in order to obviate the need for price rises in several industries which use these commodities. To make this policy effective, controls on production and on movement and physical allocations to consumers become inescapable.

“Controls in a word are the means by which Government maintains a balance between various sectional interests. Under certain circumstances the accent may be on the maintenance of certain price ceilings, and through these of the real purchasing power of the incomes accruing to certain classes. Under other conditions, the enforcement of minimum prices might be a necessary corollary to a policy of ensuring a reasonable rate of return on effort in certain lines of economic activity. Viewed in the proper perspective, controls are but another aspect of the problem of incentives, for to the extent that controls limit the freedom of action on the part of certain classes, they provide correspondingly an incentive to certain others and the practical problem is always to balance the loss of satisfaction in one case against the gain in the other. For one to ask for fuller employment and more rapid development and at the same time to object to controls is obviously to support two contradictory objectives.

“Most of the opposition to controls comes, however, from dissatisfaction with the working of particular controls. It must be recognised that controls ineffectively or inefficiently administered may do harm rather than good. It is also true that so long as the public regards controls as so many hindrances to be circumvented if possible, to put up with otherwise, there will be resentment against controls. To a great extent this is a question of creating the right

atmosphere by explaining to the public the relationship between controls and the rate of economic progress that the country can achieve. From this point of view it is an essential condition that the rationale of each control is made clear to the public and the rights and obligations of the parties affected defined in a manner which leaves little scope for doubt as to what is expected of the public and where redress can be had in case of any grievance. It is also vital to the success of the controls to make the necessary adjustments in their working from time to time as the conditions governing the supply and demand of the commodities in question change. But, here again, whatever changes are made must accord with the objectives in view and should not throw in doubt the basis of the entire policy.

“The difficulties of administering an extensive system of controls in an economy organised by and large in small units cannot be under-rated. Methods adopted successfully in other countries are not directly applicable to India. Effectiveness of controls under these conditions can be ensured only through control at strategic points and through encouraging producers’ and consumers’ organisations which will help to make the actual operation of controls smoother, less irksome and more efficient.”

32. *Committee’s observations.*—It is in the light of these observations that the Committee has approached the examination and review of the working of controls and made its recommendations. While a lot can be said on controls, there is full agreement on the part of everybody that there would be need to have controls in times of emergency. The difference of opinion may be only about the occasions for the use of controls. The Federation of Indian Chambers of Commerce and Industry say at page 3 of their Memorandum to the Committee:—

“The Committee (of the Federation) feel that such controls as have to be operated should be mainly indirect type of controls and through appropriate changes from time to time in fiscal, monetary and commercial policies. Perhaps a few controls on item of production, movement and allocation may be used to maximise the utilisation of scarce supplies and ensure the realisation of approved plans of economic development.”

At pages 36-37, they say:—

“If.....only a minimum number of essential controls are retained and enforced properly, it will help to impart health and resilience to the economy and keep in check the demoralisation in the society.....If industry and

trade are allowed to function more freely than at present—subject to certain overall controls—it will give a definite incentive to production and efficient distribution.”

We hardly find any large measure of difference between this view and the view of the Planning Commission. In fact, even as this Committee was engaged in its work, many of the physical controls have been removed as the production and supply conditions showed improvement.

33. Our approach to the question of controls in the succeeding pages is not, therefore, an academic one. We do not debate whether in theory, controls are good or bad. We recognise that there are times when controls are necessary and equally that at times they may be harmful. Once it is conceded that controls do fulfil a useful function under certain conditions, it follows that Government must retain the powers to exercise controls whenever the situation so warrants. Equally, once it is recognised that controls, if wrongly applied, can do a good deal of damage, it becomes obvious that the exercise of those powers must be under constant review and their application adapted to changing conditions with the least loss of time.

34. The negative function of controls of preventing people from doing something which, from their point of view, is opportune, but which is otherwise anti-social—has only a short term value. No democratic government can allow any section of the community to exploit the rest by taking advantage of temporary shortages. Such functions of the controls cease to have any value when the emergency leading to shortages and scarcities has passed. Controls can, however, be used for another, more positive purpose. When a country has chosen, as India has, the path of planned progress in the economic field, Government must, in the last analysis, retain the powers of overall guidance and control. We have, in the rest of the report, tried to take cognizance of the need to retain a certain reserve of powers on the one hand and the need to relax unnecessary controls on the other. Our field of study has, however, been restricted to commodity controls proper. Indirect controls exercised through fiscal measures, the controls on exports and imports, the regulation of capital issues and other similar measures which have a profound effect on the economy of the country has been outside the scope of our inquiry. Our attention has been focussed on controls which govern the production, distribution, and prices of various goods produced in the country. We have examined, to begin with, certain general problems which affect all controls, such as, the enforcement of control laws and measures necessary to improve the



control system, and we have then proceeded to consider each of the enactments under which the present powers of control are exercised.

35. *Committee's recommendation for a single comprehensive permanent Central Act for Controls.*—We have at present three Central Acts—the Essential Supplies (Temporary Powers) Act, 1946, the Supply and Prices of Goods Act, 1950 and the Drugs (Control) Act, 1950—the object of each of which is to regulate the production, supply, distribution and prices of certain commodities. Each of the three Acts, however, covers different fields and each of them is to remain in force for different durations. While the methods of control envisaged by the Supply and Prices of Goods Act and the Drugs (Control) Act are substantially identical, those envisaged by the Essential Supplies (Temporary Powers) Act are entirely different. The Essential Supplies (Temporary Powers) Act enables controls to be exercised in respect of some specified commodities by making Orders for the purpose. The Supply and Prices of Goods Act provides for the control of certain other specified goods, the list of which can be enlarged by the Central Government by notified orders. The Act contemplates the making of separate orders in respect of each aspect of control of the various goods whenever necessary. The Drugs (Control) Act relates to control of drugs and the scheme of the Act is the same as that of the Supply and Prices of Goods Act. The Essential Supplies (Temporary Powers) Act and the Supply and Prices of Goods Act extend to the whole of India except the State of Jammu and Kashmir, while the Drugs (Control) Act extends only to Part C States, the other States having taken separate action to make similar laws. The Drugs (Control) Act is a permanent Act but the Essential Supplies (Temporary Powers) Act is to remain in force till the 25th January 1955 only, while the Supply and Prices of Goods Act is due to expire on the 14th February 1954.

36. Whether at any time it is necessary to exercise control in respect of a particular commodity and if so, to what extent and in what form the control should be exercised depends entirely upon the overall situation regarding that commodity at that time. The commodities in respect of which control is necessary and the form and extent of such control, therefore, keep on changing from time to time. It is neither possible nor desirable that legislation should be undertaken time and again to provide for control of different commodities as occasion arises. To have a number of laws on the subject of control is also confusing. The Committee considers it essential that there should be a single permanent and consolidated law conferring upon the Central Government reserve powers to

enable the exercise of control over any commodity at any time; such law should be sufficiently elastic and comprehensive to meet every emergency.

37. Subject to entry 33 in the Concurrent List, trade and commerce within the State and production, supply and distribution of goods is, in view of entries 26 and 27 of the State List, normally within the exclusive legislative competence of the State Legislatures. Nevertheless, article 369 of the Constitution has made express provision enabling Parliament to make laws, during a period of five years, from the commencement of the Constitution, with respect to trade and commerce within a State, and the production, supply and distribution of, commodities covered by the Essential Supplies (Temporary Powers) Act and it is this provision which has made possible the enactment by Parliament relating to the Essential Supplies (Temporary Powers) Act notwithstanding entries 26 and 27 of the State List. However, the power to Parliament will cease on the 25th January 1955 and the Essential Supplies (Temporary Powers) Act will expire on that day and it would not then be possible to have a Central law providing for all aspects of control.

38. It would no doubt be competent for Parliament to enact, with reference to entry 34 of the Concurrent List, a law to regulate the prices of all commodities but such law would not cover other aspects of control like production, supply and distribution.

39. Article 249 of the Constitution also provides an expedient to enable Parliament to legislate with respect to matters in the State List and it is in accordance with this article, as has been seen before, that Parliament has been able to enact the Supply and Prices of Goods Act. However, this expedient is cumbersome and unsatisfactory as the resolution has to be continued year after year if the law made by Parliament under this article is to remain in force. A resolution had to be passed annually for the last three years to provide for the enactment and continuation of the Supplies and Prices of Goods Act which will soon expire if a further resolution is not passed. The expedient envisaged by article 250 also is inconvenient.

40. Entry 33 of the Concurrent List provides a partial solution to the problem. It enables Parliament to declare by law that the control of any industries by the Union is expedient in the public interest and upon such declaration Parliament becomes competent to legislate in regard to trade and commerce in, and the production, supply and distribution of, the products of such industries. In virtue

of entry 52 of the Union List, the Industries (Development and Regulation) Act, 1951 was enacted and provision was made for regulating the production and distribution of articles by undertakings pertaining to certain specified industries. The scope of the Act has recently been considerably widened by its amendment by the Industries (Development and Regulation) Amendment Act, 1953 relating to entry 33 of the Concurrent List. A new chapter (Chapter IIIB) has been inserted providing for power to control, by Orders to be made by the Central Government, supply, distribution, price etc., of articles relating to industries covered by the Act. The scheme of control is more or less on the lines of the Essential Supplies (Temporary Powers) Act. The distinct advantage of this Act is that it is of permanent duration and facilitates control of certain articles even after the expiry of the Essential Supplies (Temporary Powers) Act and the Supply and Prices of Goods Act. But the Act deals with articles relating to certain specified industries only and hence cannot take the place of a comprehensive Act which the Committee have in mind. It does not and cannot cover many important commodities, such as foodstuffs, the control of which may be necessary at some time or the other.

41. The existing provisions of the Constitution do not permit the enactment by Parliament of a permanent comprehensive law of controls in relation to all commodities. But the need for such a law is so urgent and pressing that the Committee, after carefully considering all its pros and cons, unhesitatingly make the recommendation that the Constitution should be suitably amended to confer on Parliament the necessary legislative power. It is imperative that the controls of essential commodities should be regulated on an all-India basis. If the States are left to adopt their own system of intra-State controls, there is the likelihood of controls in one State operating to the detriment of the neighbouring States. Such a position is amply demonstrated by the Control Orders made by some of the State Governments in relation to foodstuffs, cattle fodder and cotton seed in exercise of their delegated powers under the Central laws or of their powers under the local laws. We feel that it is in the overall interest of the States themselves that controls should be exercised under a Central law. We, therefore, recommend that entries 26 and 27 of the State List should be transferred to the Concurrent List to achieve the object in view.

42. The permanent and comprehensive law to be enacted on the amendment of the Constitution as recommended by the Committee should be, by and large, on the lines of the Essential Supplies (Temporary Powers) Act but should embrace all essential and scarce commodities. In fact, it might be possible to give the desired

shape to the Essential Supplies (Temporary Powers) Act itself by making suitable modifications therein. On the enactment of such law, the Drugs (Control) Act and Chapter IIIB of the Industries (Development and Regulation) Act will have to be repealed.

43. We are not unaware of the difficulties in the way of amending the Constitution on the lines indicated in para. 41 above. But, as already stated, we have made the recommendation as we are satisfied that such amendment is to the ultimate good of the country as a whole. If however, it is considered that an outright transfer of entries 26 and 27 of the State List to the Concurrent List is not for any reason possible or practicable, the Committee would suggest in the alternative that the Constitution should be amended at least to such extent as may be necessary for conferring legislative power on Parliament in respect of foodstuffs, cattle fodder, raw cotton, cotton seed and other agricultural products. We have pointed out in the Chapter on Foodstuffs and Cattle Fodder that controls in respect of these commodities must be continued for a considerable length of time. The absence of controls on these commodities on an all-India basis is bound to react adversely on the economy of the country. It is, therefore, in any event absolutely essential that Parliament should have the power to legislate in respect of these commodities. In the opinion of the Committee, if entries 26 and 27 of the State List cannot be transferred to the Concurrent List, at least a new entry 33A may be inserted in the Concurrent List regarding trade and commerce in, and production, supply and distribution of, essential or scarce agricultural products and entries 26 and 27 in the State List should be made subject to the provisions of entry 33A of the Concurrent List as well.

44. As the Essential Supplies (Temporary Powers) Act, 1946, is due to expire on the 25th January, 1955, it is necessary that action recommended by the Committee may have to be taken before that date.

## CHAPTER V

### ENFORCEMENT OF CONTROL LAWS

45. Controls are imposed for the attainment of certain objectives, for example, maintaining or increasing supplies, securing their equitable distribution and availability at fair prices, etc. The objectives can be attained only if the control laws are scrupulously observed by all concerned in letter and in spirit. Observance of laws, in turn, depends upon their strict enforcement. The penal provisions in a law are primarily aimed at securing the observance of the law: the subject is warned that he would be inviting a penalty if he dodges the law. However, in practice, detection, investigation and trial of offences—and not merely provision for punishment of offences—play a vital part in making the law a success or failure. In the following paragraphs, the Committee wishes to examine the various matters which are relevant for the successful working of the control laws.

46. *Penalties and Punishments.*—The penal provisions in the three existing control laws are provided in Sections 7, 7A, 8, 9 and 10 of the Essential Supplies (Temporary Powers) Act, Sections 14 and 15 of the Supply and Prices of Goods Act and Sections 13 and 14 of the Drugs (Control) Act. Under the Essential Supplies (Temporary Powers) Act the nature of punishment as well as the maximum punishment are varying: for offences relating to cotton textiles the punishment prescribed is both imprisonment for a term extending to three years and a fine, for offences relating to hoarding of foodstuffs, the punishment is imprisonment extending to seven years and a fine not less than 20 times of the value of the foodgrains found in possession of the offender, while for other offences relating to foodstuffs the punishment is imprisonment extending to three years and a fine, though a sentence of fine only can be awarded for reasons to be recorded in writing. Offences relating to commodities other than cotton textiles and foodstuffs are punishable with imprisonment extending to three years or with fine or with both. Under the Supply and Prices of Goods Act as well as under the Drugs (Control) Act the punishment prescribed is imprisonment for three years or fine or both but the punishment of imprisonment is compulsory for hoarding offences under the Supply and Prices of Goods Act. All the three Acts provide for forfeiture of property in respect of which the offence is committed. Attempts and abetments are made punishable under the Essential Supplies (Temporary Powers) Act but not under the other two Acts.

47. To the Committee's question as to whether the provisions contained in the three Acts in regard to the penalties are adequate and are having any deterrent effect, the replies received from the various interests are not uniform. The State Governments consider the provisions adequate but point out that the Courts do not take a serious view of the breach of control laws, with the result that the offenders escape lightly. They observe that even in cases which call for deterrent punishment the offenders are let off with small fines and that where the sentences of imprisonment is obligatory, imprisonment till the rising of the Court only is awarded. The representatives of the Trade Unions are of the view that both the penalties provided in the Acts and the punishments awarded are inadequate. Their main criticism as regards the punishments awarded is that while the big offenders either secure acquittals, or receive light punishments, the petty offenders are dealt with severely. Some of the individuals who appeared before the Committee stated that the general impression is that contravention of the control orders is not visited by the same severe punishment as offences under other laws. The view held generally by the Chambers of Commerce and Trade Associations is just the opposite: some of the Chambers of Commerce consider that the penalties provided are excessive and out of proportion to the gravity of offences. One State Government expressed itself in favour of prescribing one month's simple imprisonment as the minimum punishment for control offences. Another suggested that the goods of a black-marketeer should be confiscated and handed over to some who would be in a position to run the business in the commodity. The representatives of Trade Unions suggest that imprisonment should be compulsory and even whipping may be prescribed for certain serious offences.

48. Our view is that no useful purpose would be served by fixing the maximum imprisonment at more than three years for any offence against the control laws. Though the offence of hoarding of foodstuffs is punishable with seven years' imprisonment, no case has come to our notice in which punishment of imprisonment of even three years has been awarded. On the other hand, the provision for imprisonment upto seven years has made the offence triable exclusively by a Court of Sessions and has introduced delaying and expensive procedure and also other avoidable complications.

49. We do not consider it necessary to provide that imprisonment should be compulsory in respect of any offences or that the penalties of both imprisonment *and* fine should be awarded in any specified cases. The nature of offences against control laws is such that a wooden rule in the matter of punishment is not desirable. We should leave it to the Courts to determine the form and extent of punishment

in each case on its merits and are, therefore, in favour of a provision that all offences against control laws should be punishable with imprisonment for a term extending to three years or with fine or with both. Such a provision introduces simplicity and uniformity without in any way sacrificing the desired effects of penalties. We do not think that whipping should be prescribed as a penalty. We are of the opinion that attempts to contravene and abetments of contravention of the control laws should also be made punishable.

50. The provisions relating to offences by corporations have come in for special criticism by the Chambers of Commerce and Trade Associations. Their criticism was mainly against Section 9 of the Essential Supplies (Temporary Powers) Act which provides that every director, manager, secretary or other officer or agent of a corporation shall be deemed to be guilty of the offence committed by the corporation and throws on them the onus of proving that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of the offence. These provisions are analogous to the provisions contained in the Defence of India Rules but it was urged that while such provisions may have been necessary during war time, they involve unjustified hardship now. The corresponding provisions in Section 15 of the Supply and Prices of Goods Act are different: under these provisions the presumption of guilt arises only in respect of persons who, during the relevant period, were in charge of and were responsible to the corporation for the conduct of the business of the establishment in or in relation to which the offence is committed. The other officers of the corporation are liable only if it is proved that the offence has been committed with their consent or connivance, or is attributable to any neglect on their part. The Drugs (Control) Act follows the pattern of the Essential Supplies (Temporary Powers) Act. We have carefully considered the question and are of the opinion that it would be unjust to presume that every one connected with the affairs of a corporation is guilty and that, therefore, the provisions of Section 15 of the Supply and Prices of Goods Act are more suitable and should be adopted in all control laws.

51. It was suggested by some that it is not desirable to take every contravention of the control laws to a court of law, as such a procedure involves delays and also does not end in deterrent punishment. We were urged to consider the advisability of punishing certain classes of petty offences by administrative action: it was stated that trifling offences can be dealt with effectively and expeditiously by administering warnings and confiscating property, while even some serious offences like profiteering can be adequately punished deterrently as by cancelling licences and confiscating property. We do not, however, think that the established course of justice should be short-circuited.

Power to deal with petty offences administratively brings in its wake certain undesirable complications. It is likely to be abused at lower levels and lead to corruption and favouritism. Penalties like suspension or cancellation of licence and confiscation of property might often be incommensurate with the nature of the offence. Administrative action might also invite criticism and charges of malice or caprice.

52. *Investigation of Offences.*—Investigation of offences against the control laws is generally regulated by the provisions of the Code of Criminal Procedure. But Section 3(2)(j) of the Essential Supplies (Temporary Powers) Act enables making of orders relating to search or seizure. Like provisions appear in Section 16 of the Supply and Prices of Goods Act but the powers of search and seizure cannot, under that Section, be conferred on an officer below the rank of an Inspector of Police. The power of investigation of offences under the Drugs (Control) Act is vested under Section 15 of that Act on officers of or above the rank of an Inspector of Police and only those officers are given the right of search and seizure under Section 16.

53. Some of the State Governments represented that the provisions relating to search and seizure in the Supply and Prices of Goods Act and the Drugs (Control) Act operate as a severe handicap. They have to depend upon officers of and above the rank of police officers whose services are not readily available, with the result that by the time action is taken the offenders destroy all traces of evidence and escape. In some of the States the number of Inspectors of Police is so limited that they cannot cope with the duties relating to control laws in addition to their normal duties. It was also suggested by some States that officers other than of the police force may also be empowered to make searches and conduct preliminary investigations. For example, officers of the Civil Supplies Department might, it was urged, be vested with powers of search and seizure in respect of food offences, while Drugs Inspectors and officers of the Medical Department might be empowered to take necessary action in connection with the drugs offences.

54. We agree that it would be very inconvenient if officers not below the rank of an Inspector of Police alone are empowered to investigate any such offences. Under the Code of Criminal Procedure every Police Officer in charge of a Police Station has power to investigate into all cognisable offences, many of which are more serious than ordinary offences against control laws. We are of opinion that the normal procedure provided by the Code of Criminal Procedure may be applied to control offences also. Of course, administrative instructions may be issued by the competent authority that certain specified classes of control offences should be investigated only by officers of or above a specified rank.



55. We have given considerable thought to the question whether the power of investigation, and in particular the power of search and seizure, should be vested in departmental officers. It was represented by the Civil Supplies Departments of certain States that the Police Officers do not interest themselves sufficiently in the investigation of offences against control laws, the enforcement of which is in the hands of the departmental staff and it was, therefore, suggested that the power of investigation should rest with departmental staff only. While we have no objection to such a proposal in principle, our view is that unless departmental officers are properly trained for the purpose, they might not discharge their powers of investigation satisfactorily, with the result that there would remain the likelihood of cases failing due to technical defects. In our opinion, a provision empowering the Government to make orders conferring powers of investigation of control offences and of search and seizure on departmental staff should find place in all control laws so that it may be used in cases where the departmental staff trained to exercise such powers are available.

56. Some of the State Governments complained to us that in the investigation of offences for contravention of control laws, they are handicapped by the provisions of section 103 of the Code of Criminal Procedure which require searches to be made in the presence of two or more respectable inhabitants of the locality in which the place to be searched is situated. They represented that at times it is difficult to get witnesses from the same locality and further that there were times when such witnesses turned hostile after the prosecutions were launched. Such a situation, it was stated, is due to the fact that the inhabitants of the same locality are naturally sympathetic to or unwilling to implicate their neighbours. It is suggested that it should not be made compulsory to call witnesses of the same locality when searches are conducted for offences against control laws. We do not wish to support the suggestion. The procedure laid down in the Code of Criminal Procedure is common to all offences and there is no good reason why an exception should be made in regard to the searches made in connection with any particular class of offences.

57. It was complained before us that proper discretion and discrimination is not exercised in the detection and investigation of offences. It was represented that while big offences and offenders are overlooked the smaller ones are mercilessly brought to book. It was also represented that many a complaint is lodged on mere suspicion and without proper investigation. Though concrete instances were not brought to our notice, we agree that such a situation, if it exists, is not desirable. The law must be administered with an even

hand, without fear or favour. It should be the responsibility of the State Governments to examine such complaints and take suitable action to remove their causes. To avoid the danger of institution of prosecutions on frivolous evidence or **after** half-baked investigations, we would recommend that in all **important**, complicated or doubtful cases, the previous advice of the Government Advocate should be sought before launching the prosecutions.

58. We wish to record that the enforcement of control laws should not operate as a hardship or harassment to the public. It was represented to us that at times the investigation and trial of trivial and technical offences entail inconvenience and annoyance disproportionate to the nature of the offences. It was even suggested that no action should be taken against such offences. While we do not think that the relevant provisions creating such trivial and technical offences should be reduced to a dead letter, we emphatically recommend that appropriate authorities should make a periodical review of the cases in which action has been taken for trivial and technical offences and devise ways and means to minimize such hardship or harassment. If in any particular class of cases, considerable hardship or harassment is inevitable due to any peculiar circumstances, the authorities might even consider giving suitable directives to ensure that such cases are not unnecessarily dragged to the court provided that such a course does not really result in a weakening of the system of controls.

59. *Trial of Offences.*—Sections 11, 12, 13, 13A, 13B and 15 of the Essential Supplies (Temporary Powers) Act prescribe special procedure, in certain respects, for the trial of offences under that Act. It is provided that an offence under the Act shall not be taken cognizance of except on a report in writing of the facts constituting the offence made by a public servant. The offences are made triable summarily on the request of the prosecution. First Class Magistrates and Presidency Magistrates are empowered to pass a sentence of fine exceeding Rs. 1,000. It is provided that persons accused or convicted of food offences shall not be released on bail unless the prosecution has been given an opportunity to oppose the bail and unless it appears to the court that the accused are not guilty. To expedite disposal of cases, provision is made for their day to day trial. The burden of proof in certain cases is placed upon the accused. The Supply and Prices of Goods Act follows substantially the Essential Supplies (Temporary Powers) Act in regard to the cognizance of offences and summary trials and further provides for sanction of specified authorities previous to the institution of the prosecution. The Drugs (Control) Act provides for such previous sanction but prescribes no special procedure in respect of any other matters.

60. Loud complaints were heard from many quarters regarding the manner in which the control offences are tried by the courts of law. Inordinate delay in the trial of offences was particularly pressed upon us by most of the witnesses. It was represented that the provision for summary trial was not in many cases observed and that cases were not tried from day to day in spite of the provision of Section 13B of the Essential Supplies (Temporary Powers) Act. Protracted trials without doubt harass the accused and cause them great inconvenience in many respects and it is desirable that the trial of control offences is concluded within the minimum possible time. It appears to us that the delay in disposal of the control cases is mainly due to pressure of work with trying magistrates and unless that pressure is reduced considerably the trials would not be expedited. We recommend that the State Governments be requested to keep a close watch on the volume of criminal work and strengthen the magistracy to facilitate quick disposal of the control cases. If there is a tendency to put back the control cases to give preference to cases under ordinary criminal law it should be strongly discouraged.

61. Suggestions were made for appointment of special magistrates for trial of control cases. Such special magistrates are no doubt appointed at many stations but it is obviously not possible to recommend the appointment of special magistrates all over the country. They may not have enough work if appointed for a small area and it would be inconvenient to the public if a larger area is brought within their jurisdiction. We would leave it to the State Governments to examine the advisability of appointing special magistrates for particular areas.

62. We do not wish to go into the merits of the complaint that punishments awarded by the courts are lenient and incommensurate with the nature of offences. If the Enforcement Officers feel that in particular cases or class of cases, any court awards inadequate sentence, the higher courts may be moved for enhancement of the sentence so that such higher courts may lay down principles in the matter of awarding sentence for the guidance of subordinate courts.

63. In our opinion, the special procedural provisions made in the Essential Supplies (Temporary Powers) Act are generally sufficient and suitable and may be adopted in all control laws. We may, however, point out that the provisions of Section 13B of the Essential Supplies (Temporary Powers) Act need not find place in the statute and may be enforced by appropriate administrative checks.

64. We are not in favour of the provision that the prior consent or sanction of any authority is necessary for instituting a prosecution. We have recommended elsewhere that in all important, complicated or doubtful cases, the advice of the Government Advocate should be obtained before launching the prosecution and in our opinion such a safeguard is sufficient against frivolous prosecutions. If necessary, administrative instructions may be issued to the effect that specified classes of cases should have the concurrence of Government before they are taken to court.

65. *Enforcement Machinery.*—The present position is that though the police force is generally in charge of the enforcement of control laws, the departmental machinery also is on the alert and provides the necessary assistance to the police in the detection and investigation of control offences. We have suggested elsewhere that there would be no objection to train departmental staff for taking the entire responsibility of detection and investigation of offences.

Until recently the Directorate of Enforcement set up by the Central Government was placed in charge of enforcement of certain control provisions. It was complained to us that this special squad was a needless duplication of the enforcement machinery and in fact was a factor discouraging to the State Enforcement Department which, it was stated, was quite competent to deal with all types of cases. The issue is not a live one now as the Central Directorate of Enforcement has been wound up with effect from 1st April 1953.

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## CHAPTER VI

### IMPROVEMENT OF THE CONTROL SYSTEM

66. *Suggestions for improving the Control System.*—In the last Chapter, we examined the legal provisions as regards enforcement in the three Acts with a view to seeing whether by making the necessary changes the control machinery could be made to work smoothly. Certain other suggestions have also been made to us for the improvement of the control system. We propose to refer to these suggestions in this Chapter.

67. *Administration of Controls.*—It cannot be denied that controls would not serve the purpose for which they are imposed if they are not properly administered. An efficient administrative system is, therefore, a prerequisite to the proper working of controls. Much of the opposition in this country to controls has been based on the impression that they have not been properly administered. It has been pointed out to us not only by the Chambers of the Commerce and Trade Associations, but also by consumer interests that the administrative personnel are inefficient, subject to corruption and are easy prey to evil practices. We have questioned the State Governments whose representatives appeared before us as regards this criticism. Opinion is unanimous among them that the inefficiency of the administrative personnel is due to the fact that the bulk of the staff has been recruited on a purely temporary basis. Due, therefore, to the temporary nature of their employment, the temptations for corruption are very great.

68. The Committee note with regret that, although the undesirability of using temporary personnel for purposes of control has been repeatedly emphasised, yet, most of the control offices are staffed by people who can at any time be given a month's notice of discharge. Without a real effort to remedy the situation, the administration is not likely to improve. The practice of recruiting temporary hands to fill posts in control offices as and when they are opened means that these offices have a plethora of men who to start with have no experience of administration and are not even familiar with the ordinary routine of Government offices. The fact that they are temporary also encourages them, not unnaturally, to look for other opening of a more secure character. They cannot, therefore, give to their work the undivided attention that it deserves. There-

may even be a tendency among some of them to seek employment in the very firms they have to deal with in the day-to-day administration of the controls.

69. All these are serious matters. The irritation and dissatisfaction which people feel about inefficient administration often leads them to the conclusion that controls are bad or that controls lead to maladministration, favouritism or worse. The Committee consider that even though the posts sanctioned in control offices may be temporary ones—and there is no reason why the sanction should be limited to a few months at a time—the incumbents could well be drawn from the permanent services and such temporary recruitment as takes place should be in the resultant vacancies. In other words, if it is inevitable that a certain percentage of Government servants should be temporary hands, it would be far more desirable to have an even balance between temporary and permanent people in all the Government Departments than to follow the present system of concentrating the temporary men in the control offices. Secondly, in the matter of retrenchment, we understand that whenever the volume of work in any particular control office goes down, the axe falls on the juniormost members of that office even though in another Central Government office, there may be still more junior men who continue. We think it very undesirable that a feeling should be created in the staff engaged in control offices that the tenure of their appointment is dependent upon their prolonging their work. This destroys the impetus to efficiency, hampers a ready readjustment in controls as and when circumstances warrant and is not conducive to the speedy disposal of work. Here again the solution lies in looking at the problem, not from a departmental angle but from a wider point of view. If a common roster of temporary Government servants is maintained by the Central and State Governments respectively, then, if work in a particular control office goes down, the resultant retrenchment should be evenly borne by all offices and the man who has taken the pains to reduce the volume of work will not find himself out of job as a result.

70. *Advisory Committees.*—The present controls have been imposed mainly for the purpose of equitable distribution of essential commodities to consumers at reasonable prices. For the purpose of achieving this objective, the producers, dealers and other traders, and also the consumers have to be subject to certain restrictions. Whether the controls have been working well and without detriment to the various interests concerned can be known only by consulting them. Some sort of machinery e.g., Advisory Committees, would therefore, appear to be necessary. In the Advisory Committees, the producer, the dealer, the consumer and also other interests

can be brought together for an exchange of views. From the deliberations of these Advisory Committees, the authorities would be able to know what sort of difficulties are being experienced by the various interests and steps can then be taken to remedy them.

71. Opinion of most of the interests that the Committee consulted was in favour of the appointment of Advisory Committees at the Centre, in the States and in the Districts. Some of the State Governments, Chambers of Commerce as well as certain individuals, however, expressed themselves against the appointment of these Committees. We would like to observe that these Advisory Committees are not new, for they already exist in many of the States. In some of the States in addition to the State Committees, there are Advisory Committees in the Districts. Committees for specific commodities also exist in some of the States. We were told that the working of some of these Committees had not been satisfactory. If these Committees are to be really useful, the choice of personnel must be very carefully made. Only such people should be selected who are capable of fairly representing the broader issues affecting their respective groups and can be trusted not to use their membership of the Committees for furthering their personal interests. The District Committees in each State need not be many; one Committee can serve the interest of several Districts. The representatives of the interests, viz., producers, dealers and consumers should have representation on the Committees. It was suggested to the Committee that representation should also be given to Kisan Sabhas, Trade Unions, Co-operative Societies, etc. These represent mainly consumers and representatives of such suitable organisations should be included in the Advisory Committees without however making the size of the Committees too large. These Committees should meet as often as possible and review the working of the controls in their area. As regards Advisory Committees to assist the Central Government, such Committees for specific commodities already exist. For example, there is the Cotton Textiles and Cotton Yarn Committees, and the Coal Advisory Board. For some of the important commodities, such as cotton textiles, iron and steel, and coal, it may be advisable to have separate Advisory Committees. It would be a good idea of a summary of recommendations of the Central and State Advisory Committees and the action taken thereon is placed before the respective Legislatures once every year.

72. *Simplification of Control Laws.*—When controls were introduced during the war period, the various Control Orders had to be inevitably issued as and when exigencies of the situation demanded. Naturally, it was not possible to pay attention to the systematization of the Orders. Due to abnormal conditions prevailing in the

immediate post-war period, the position remained much the same. The result has been that numerous Orders and Notifications covering different aspects of controls have been in force from time to time. At one stage there were as many as seven Orders regulating the control of cotton textiles and the Notifications issued thereunder were almost countless. The existence of a large number of Orders and Notifications in respect of a commodity obviously tends to create confusion: it becomes difficult for the common man to keep himself informed of the Orders or Notifications in force from time to time and the administration of control laws also becomes complicated. Now that the controls are to be continued, especially as an essential feature of the nation's planned economy, it is necessary to evolve a system of control laws easily intelligible to every one concerned.

73. We have recommended in an earlier Chapter that there should be a single comprehensive Act to provide for controls in respect of all commodities. We are further of the view that the provisions regarding the various aspects of control relating to a commodity should be made in a single Order under such Act. The practice of making different Orders to cover different aspects of control relating to a commodity should be discontinued. If necessary, the Order may be divided into several Parts so that the various aspects of the control may be separately dealt with in different Parts. ,

74. We realise the necessity of amending the Orders and Notifications from time to time but it appears to us that with greater care and imagination it should be possible to reduce the number of amendments. Frequent amendments not only confuse the public but the administration as well. It becomes difficult for all concerned to know the correct up-to-date position of any Order or Notification at a given point of time. The position becomes more difficult as the Orders and Notifications are not reprinted from time to time incorporating the various amendments and the information regarding the nature and number of amendments is not easily available. We have to regretfully mention here that the Committee had a difficult task in obtaining a list of all the Notifications issued under the various Orders. Even officers in charge of administration of some of the commodities subject to control were found to be not sure of the up-to-date position of the various Orders and Notifications. The inconvenience which the public must be experiencing can be easily imagined.

75. The lack of any definite system in numbering the various Orders and Notifications and amendments thereto also contributes largely to the confusing state of the control laws. For example, in



the case of the Iron and Steel (Control of Production and Distribution Order, the main Order is simply described as No. 315 and amendments thereto made for example, on 12th September 1950, 3rd May 1951, and 21st August 1951, have been numbered as No. 1(I)-42(62), SC(A)-4(59) and SRO 1292 [File No. SC(A)-4(53)] respectively; such a method of numbering is hardly helpful to the public.

76. The Committee recommends that a sound system of numbering the Orders and Notifications and amendments thereto should be evolved so that every one concerned can easily become aware of the up-to-date position of the control laws. The Committee suggests, for example, that the Order relating to raw cotton may be numbered "Ess.Sup./Cotton". "Ess.Sup" would stand for the Act under which the Order is made (Essential Supplies Act) and "Cotton" indicates the commodity in respect of which the Order is made. The amendments to the Order should be numbered as "Ess.Sup./Cotton/Am (1)", Ess.Sup./Cotton/Am(2) and so on. In numbering the Notifications issued under any clause of any Order, the number of the clause should be indicated. Accordingly, a Notification under clause 3(i) of the Order relating to cotton should be numbered as "Ess.Sup./Cotton-3(i)". Amendments to the Notification should be numbered as "Ess.Sup./Cotton/3(i)/Am(1), Ess.Sup./Cotton/3(1)/Am(2) and so on.

We strongly recommend that each office in charge of the administration of controls should maintain master copies, brought up-to-date, of the Control Orders and Notifications with which it may be concerned and a complete list of all amendments to such Orders and Notifications.

77. We have reproduced in Appendix IV the various Orders and Notifications issued under the Essential Supplies (Temporary Powers) Act, 1946, now in force after incorporating all the amendments thereto. They would give the public the correct picture of the latest position regarding the controls under that Act. In accordance with our recommendation that there should be a single Order relating to a commodity and a single main Notification relating to a clause in the Order, many of the Orders and Notifications in Appendix IV will have to be consolidated. We have suggested in Appendix V the drafts of such consolidated Orders and Notifications. We suggest that the various Orders relating to prohibition or regulation of forward contracts, futures and options, should be withdrawn and appropriate action in that direction should be taken under the Forward Contracts (Regulation) Act, 1952. We have, therefore, not taken into account these Orders in preparing the drafts of the consolidated orders.

78. In our opinion, the consolidated Orders and Notifications in Appendix V should be reissued and the other Orders and Notifications which do not require consolidation should be reprinted as brought upto date in Appendix IV and in doing so the system of numbering suggested above should be adopted.

As we are recommending elsewhere that the controls under the Drugs (Control) Act should be totally removed and as the Supply and Price of Goods Act is due to expire soon, we have not streamlined the Notifications under those two Acts.

79. *Simplification of Forms and Returns.*—Under some of the Control Orders, provision is made for the submission of certain Returns in prescribed forms regularly to the specified authorities. Representatives of the Chambers of Commerce and Trade Associations were strongly of the view that such Returns are too numerous and many of them are quite unnecessary. It was also pointed out by them that much valuable time was taken up in completing the Forms. In the case of the textile industry, it was complained to us by representatives of the Bombay Millowners' Association when we examined them in January 1953 that as many as 577 Returns had to be submitted annually, and the Mills have to maintain separate staff for preparing the Returns. It was also stated that many of the Forms were cumbrous and too detailed information was required. In our view, the number of Forms should be considerably reduced and made less cumbrous and the Returns should not be too frequent. At the same time, it is essential that a certain minimum number of Forms and Returns are necessary for the maintenance of up-to-date statistical information in regard to the production, movement etc. of articles relating to particular industries. In the formulation of the control policy, this information is useful and representatives of Chambers of Commerce and others agree with this view.

80. The Committee apprehends that certain Forms and Returns prescribed for a special situation are unwittingly allowed to continue even after their utility has ceased. To avoid such a position, it is desirable that the Ministries concerned should make suitable arrangements for a periodical review of the Forms and Returns and weed out such of them as may be no longer necessary.

81. *Publication of Control Laws.*—In the opinion of the Committee the present method of publishing the Orders and Notifications in the Official Gazette is inadequate to give full publicity to them. It is essential that the attention of the public thereto should be drawn by issuing a Press Note containing the substance of the Orders and Notifications issued. Wherever possible, such Press Notes may be

issued in the regional languages as well. Arrangements should also exist with the Government of India Press or with other appropriate agency for booking of orders for the supply of copies of all Orders and Notifications, so that any one interested would receive by post, on payment of an annual subscription, copies of all Orders and Notifications as soon as they are published. In this way it would be possible for any one interested in a particular commodity to keep himself fully informed of all Orders and Notifications relating thereto without the obligation to study every issue of the Official Gazette in detail.

82. The Committee is further of the view that the various Orders and Notifications, incorporating all the amendments thereto, should be reprinted every year.

83. Several witnesses made a suggestion that a Manual of Control Orders including all the Control Laws should be issued. This, however, is not a new suggestion. The late Ministry of Industry and Supply brought out a Manual of Control Orders in March, 1949. The supplementary lists of corrections and addenda to this Manual have been subsequently issued. However, the Manual has by now become practically out of date. Moreover, the Manual did not contain all the Central Orders and Notifications, for example, those issued by the Food and Agricultural Ministry and the late Commerce Ministry. Some of the States, for example, Uttar Pradesh, Orissa, Bombay and Bhopal, have also brought out Manuals of their Control Orders. There is no doubt that a Handbook containing all the Control Orders would be very useful to the public. But it is essential that the Handbook should be reprinted year after year after incorporating all the amendments. As we have suggested that all the Orders and Notifications should be reprinted annually, it should not be difficult to bring out such a Handbook every year. It may also be considered whether it would be possible to make available to persons interested in a particular commodity appropriate parts of the Handbook separately so that they may not have to purchase the entire volume. The State Governments should also similarly publish such Handbook containing the Orders and Notifications issued by them.

84. *The Distributive System.*—The commercial community, especially, were critical of the distributive system which controls have brought into being. Their main criticism was that the normal channels of distributive trade have been disturbed by the throwing out of business of a large number of experienced wholesale and retail dealers. In their place, a new class of persons who had no previous

experience of trade has been brought in. Their suggestion, therefore, was that the normal trade channels should be restored.

85. What the community has in mind perhaps is the existence of the nominee system e.g., in respect of certain commodities like salt and cloth and yarn under which distribution of the commodities in question has been effected by some of the State Governments. With regard to certain other commodities, the Co-operative organisation has been also utilised for the purpose of the distribution of the commodities. In such cases, the normal channels of trade were no doubt disrupted and consequently a large number of dealers, commission agents, and other were thrown out of work. The State Governments have expressed the view that distribution through nominees or Co-operative Societies enables the distributive system to function effectively. There is no doubt that the appointment of these nominees has meant the elimination of certain wholesale and other dealers. The State Governments who were questioned by us on this point said that in the appointment of the nominees, every effort was made to see that really those who were in the line were appointed. Further, we understand that the reasons for changing the pattern of distribution was that in the earlier years of control, the distributive trade did not fully co-operate and the State Governments had to step in to ensure proper distribution. Under the existing circumstances, the State Governments appear to favour the continuance of the nominee system. While we agree that in the appointment of nominees, care has generally been taken to see that only those in the line were appointed, it is quite likely that at times other considerations may have affected these appointments. So long as controls remain and the State Governments prefer to retain the nominee system, it should be ensured that at least the appointment of these nominees is made in a fair manner and with the ultimate object of giving the best service to the consumer. Thus, there can be no grouse against greater use of Co-operative Societies through whom distribution of certain commodities, e.g., yarn, foodgrains, etc., has been beneficial to the consumers such as handloom weavers, industrial workers, etc.

86. *Delegation of Powers.*—Section 4 of the Essential Supplies (Temporary Powers) Act enables the Central Government to delegate its powers to make orders under section 3 to officers and authorities subordinate to the Central Government and also to State Governments and officers and authorities subordinate to them. Section 22 of the Supply and Prices of Goods Act also provides for similar delegation of the Central Government's Powers under the Act, the only difference being that under this provision the Central Government cannot directly delegate the powers to officers and

authorities subordinate to State Governments but the State Governments are given the power in turn to re-delegate to the officers and authorities subordinate to them the powers delegated to the State Governments. Some of the State Governments consider the provisions in the Essential Supplies (Temporary Powers) Act improper in so far as the Central Government is enabled to delegate directly its powers to officers and authorities subordinate to the State Governments and are of the opinion that the delegation should, as in the Supply and Prices of Goods Act, be in the first instance in favour of the State Governments, who in their turn should have the power to redelegate the powers to their own officers and authorities. We agree that the Central Government or officers and authorities subordinate to the Central Government should not delegate their powers directly to officers and authorities under the State Governments, and the formula adopted by the Supply and Prices of Goods Act and also in the Industries (Development and Regulation) Act is the right one.

87. In some cases the powers delegated to State Governments are made exercisable subject to the concurrence of the Central Government. Some of the State Governments complained that the condition regarding the concurrence of the Central Government is inconvenient as in emergent situations it becomes difficult to obtain the concurrence of the Central Government in time. In fact, it was complained to us that even in normal circumstances the concurrence of the Central Government is sometimes delayed for a long time. Instances were quoted before us in which the Central Government had failed to give the concurrence for more than six months. In the opinion of the Committee, the condition of concurrence of the Central Government is necessary to enable the Central Government to satisfy itself that the delegated powers are not exercised by the State Governments in a manner detrimental to the interests of the neighbouring States and also of the country as a whole. However, we recommend that the Central Government should see that there is no delay in giving or withholding its concurrence.

88. It has come to our notice that the State Governments approach the Central Government for delegation of certain powers to meet a specified emergent situation but the delegated powers are exercised and the orders made in exercise of those delegated powers are continued in force even after the situation has changed. This makes it imperative to provide in each case that the delegation of powers and the orders made pursuant thereto shall be operative for specified periods only. It should be for the State Governments to approach the Central Government in good time and obtain fresh delegation if it is considered necessary that their powers or the orders made by them should continue for a longer period.

It is necessary to review the various delegations of power now in existence. With that end in view, we suggest that all delegations should be withdrawn with six months' notice and the States should be asked to approach the Central Government afresh for delegation of powers within that period so that the question of delegation would be re-examined.



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## CHAPTER VII

### FIXATION OF PRICES

89. *Price Control*.—In the effective working of controls, fixation of prices plays an important part. While the main purpose of controls during the war period was the direction of production for the prosecution of the war, yet it was the policy of Government to keep prices in check and thereby to enable the consumers to obtain essential goods at reasonable prices. With the cessation of hostilities, controls had to be continued for the equitable distribution of commodities in short supply and for keeping prices in check. This objective has been still kept in view. Price control is, in fact, one of the most important aspect of controls.

90. *Types of Price Control*.—The commodities which are subject to price control will be referred to when we shall deal with the controls on specific commodities. But we shall, at this stage, refer to the different types of price controls in this country and the basis on which the prices are fixed. As regards the types of price controls, there are three main types, viz., (i) ceiling or maximum prices, (ii) fixed prices, and (iii) ceiling and floor prices.

91. Under the first type of control, ceiling or maximum prices are fixed for the commodities concerned, and though the commodities can be sold below these prices, it is an offence if they are sold above these prices. Under the second type, when the prices for goods are fixed at a certain figure they can be sold only at the "fixed" price, and selling above or below this "fixed" price is prohibited. When ceiling and floor prices are fixed, liberty is given to sell the goods at any price below the ceiling and above the floor prices fixed.

92. In general, the practice is to prescribe a maximum price. Thus, most of the articles under the Supply and Prices of Goods Act and also under the Drugs (Control) Act are subject to ceiling prices. Obviously, the fixation of a ceiling price is not an easy project. On the one hand, it has to give to the producer a reasonable margin over and above his costs; otherwise production would suffer and the consumer would be no better off. On the other hand, a liberal ceiling is likely to hurt the consumer because with controls the general tendency is for goods to sell at the maximum prescribed price and not below it—although there is no legal bar to sales below the ceiling price.

93. The system of having a fixed price is not very popular because it means that even if the producer is prepared to sell below a certain price, the law would not permit him to do so. Resort to the system of a fixed price is only necessary in those rare cases where the interests—both of the consumer and of the producer—require special protection. Thus, in the case of coal, fixed prices have been prescribed by law so that on the one hand, the consumer is not charged a higher price and, on the other, producers are not forced to reduce their price which cut-throat competition among them would lead to in the absence of control.

94. The system of prescribing both a ceiling and a floor price has the advantage of looking after the interests of the consumer and the producer alike while leaving a margin within which prices can adjust from day to day according to demand and supply. The basic purpose behind such a system is that while the consumer is assured that he will not be charged a price above the ceiling, the producer also has the confidence that there would be no danger, if he increased his production full-blast, of his prices going down below the floor level. For such a system to be effective Government must be prepared to enter the market and give support to prices if they tend to fall below the floor. Obviously, such a responsibility can only be assumed in the case of only the most important commodities and the main instance of this type of control is to be found in cotton.

95. *Basis of Price Fixation.*—It will be seen from what has been stated above that one of the main factors which contribute to the success of a scheme of price controls is the choice of the current price to be prescribed by law. In quite a few instances prices have been fixed on what is known as the "cost plus" formula. In other words, cost, either of the importer or of the manufacturer, has been taken as the basis and the addition of a reasonable margin of profit has been authorised to cover the wholesaler and the retailer. In the case of important industries, the Tariff Board—and later the Tariff Commission—has been asked to make enquiries into what would be the fair price for particular commodities. Thus, the system of price control on cotton yarn and cloth has been worked on the basis of a formula given by the late Tariff Board. Other commodities for which the Tariff Board or Tariff Commission has made similar recommendations include super-phosphates, steel, etc. In the case of the Supply and Prices of Goods Act, the prices prevailing on the 15th June 1950, i.e., before the outbreak of the Korean War, were taken as the base and subsequent adjustments were allowed on the basis of proved variations in costs. This system of accepting prices in a particular year as reasonable and



then giving allowances for known variations has been applied to other commodities also.

96. *Views of Chambers of Commerce and State Government on the Fixation of Prices.*—The Chambers of Commerce and the Trade Associations emphasized that the prices fixed should give a normal return to the manufacturer, or the agricultural producer or the importer. Some of the representatives of the Chambers of Commerce and Trade Associations stated to us that prices are often fixed arbitrarily without taking into account the cost of production or landed cost and the margin of profit to the manufacturer, agriculturist or importer and the wholesale or retail dealers, though no particular instances were pointed out. In the case of the Supply and Prices of Goods Act, they referred to the fact that it was prescribed that the maximum prices of certain articles would be the price prevalent on the 15th June 1950. Their criticism was that it was not possible to determine beyond doubt as to what the ruling prices on that day were, and thus there was a good deal of vagueness and uncertainty in the minds of everybody. Some of the State Governments who commented mainly on the prices of foodgrains were of the view that some sort of parity between neighbouring States ought to be maintained in fixing the procurement prices. They, therefore, suggested that divergence of procurement prices should be minimised. They also felt that the margin between the procurement and the issue prices should be kept within narrow limits.

97. Some of the witnesses who appeared before us referred to the fact that in the case of the Supply and Prices of Goods Act, the maximum prices fixed for certain articles were higher than the market prices now prevailing with the result that the fixation of maximum prices served no purpose. In the case of the Drugs (Control) Act also, witnesses pointed out that many of the drugs were now sold at well below the controlled prices.

98. *Revision of Prices.*—If the price control is to work effectively and serve the purpose for which it is intended, then the need for constant revision of prices would arise with variations in the cost of production or the landed cost of the articles in question. At present, for example, in the case of the articles covered by the Supply and Prices of Goods Act, the ceiling prices are periodically reviewed, taking into account the reports from the State Governments, any variations in the landed costs of imported articles and other factors. While the importance of periodical revision of prices is obvious, there are certain disadvantages also in frequent changes in prices. If prices are revised downwards at short notice, some of the dealers who have large stocks purchased at higher prices may be faced with difficulty.

It is not possible for us to suggest any particular principle or procedure for the fixation of prices for all types of commodities. In fact, the considerations governing different types of goods are necessarily different. Thus, in the case of imported goods, all that can be controlled really is the margin of profit of the importer and the distributor in India and not the basic price at which goods are imported. In the case of manufactured articles, unless the price of the raw material is controlled, it is virtually impossible to maintain a price ceiling for the finished article. Again, if the price of the raw material is controlled but not that of a commodity which can be produced in place of that particular raw material, there would be every danger of production being diverted to channels over which there is no control. The net long-term effect of such policy might well be to reduce the supply of the commodity which is considered more essential. In the last analysis, the success of a policy of price control does not depend on the effectiveness of the punitive measures behind it, but on the reasonableness of the prices fixed. All that we can say on the subject here is that whenever it is necessary to control prices by law, every effort should be made to make a thorough examination of all the factors involved, to assess the long-term effects of the policy no less than its immediate effects and to ensure that the policies followed in allied economic fields are not such as to undermine the effectiveness of the control measures. If price control is to be successful, the prices fixed must be fair not only from the point of view of the consumer, but also of the producer and the distributor.

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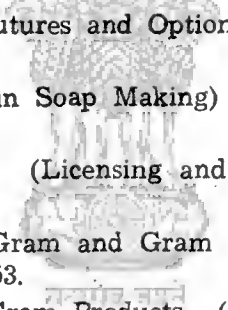
## CHAPTER VIII

### THE ESSENTIAL SUPPLIES (TEMPORARY POWERS) ACT, 1946

#### *Foodstuffs and Fodder*

99. *Commodities subject to Control and the existing Control Orders.*—We propose now to take up for examination the existing controls on various commodities and shall take up first those on foodstuffs and fodder. The commodities in this category subject to control and the Control Orders issued by the Central Government in respect of them are detailed below:—

#### (1) *Foodgrains.*

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- (i) The Foodgrains (Futures and Options) (Prohibition) Order, 1946.
  - (ii) The Flour (Use in Soap Making) (Prohibition) Order, 1946.
  - (iii) The Foodgrains (Licensing and Procurement) Order, 1952.
  - (iv) The Rajasthan Gram and Gram Products (Export Control) Order, 1953.
  - (v) The Gram and Gram Products (Export Control) Order, 1953.
  - (vi) Order No. PY.620(ii)/52-53, dated the 18th May 1953 prohibiting the manufacture of 'Fines' from indigenous wheat.

#### (2) *Sugar.*

- (i) The Sugar and Gur Control Order, 1950.
- (ii) The Sugar and Gur (Futures and Options Prohibition) Order, 1951.
- (iii) Order No S.R.O. 1988 dated the 2nd December 1952;
- (iv) Order No. S.R.O. 2073, dated the 18th December 1952; and (v) Order No. S.R.O. 38, dated the 6th January 1953, regarding exercise of control over certain sugar mills by the Central Government for maintaining the production and supply of sugar and appointment of the authorized controller therefor.

### ¶(3) *Fruit Products.*

The Fruit Products Order, 1948.

### ¶(4) *Skim Milk.*

(i) The Bombay Skim Milk Powder (Control on Distribution and Movement) Order, 1952. (Replaced by Order No. M.C./M-50/B, dated the 20th April 1953, issued by the Bombay Government).

(ii) Order No. S.R.O. 1606 dated the 13th September 1952, delegating power to the Bombay State Government to impose controls on milk and milk products.

### ¶(5) *Spices.*

The Spices (Forward Contracts Prohibition) Order, 1944.

### ¶(6) *Onions.*

The Onions (Removal of Control) Order, 1952.

### ¶(7) *Oilseeds, Oils, Oilcakes and Cattle Fodder.*

(i) The Oilseeds (Forward Contracts Prohibition) Order, 1953.

(ii) The Vegetable Oils and Oilcakes (Forward Contracts Prohibition) Order, 1944.

(iii) The Vegetable Oil Products (Control) Order, 1947.

(iv) The Oilcakes (Removal of Control) Order, 1952.

(v) Order No. S.R.O. 1741, dated the 20th October 1952, regarding procurement by States of oilcakes produced by mills.

(vi) Order No. S.R.O. 1582, dated the 16th September 1952, regarding delegation of powers to the Bombay State to impose controls on cattle fodder.

(vii) Order No. S.R.O. 1823, dated the 30th October 1952, regarding delegation of powers to the Punjab State to control the prices, production, movement and distribution of cattle fodder.

(viii) Order No. S.R.O. 342, dated the 13th February 1953, delegating powers to the State Government to prevent indiscriminate establishment of oil mills.

### ¶(8) *Cotton Seeds.*

(i) The Cotton Seeds (Removal of Control) Order, 1952.

(ii) The Cotton Seed (Forward Contracts Prohibition) Order, 1952.

(iii) The Cotton Seed (Control) Order, 1952.

(9) *Miscellaneous.*

The Perishable (Foodstuffs) (Power of Sale) Order, 1950.

100. We shall refer to the controls on each of these commodities in turn.

(1) **FOODGRAINS**

*Background of the Control.*—In an earlier chapter we have referred to the circumstances under which wheat came to be subject to control during the early part of the last war. Even before the outbreak of the war, India was not self-sufficient in regard to foodgrains, and she had to depend on Burma for imports of rice. When imports were cut off from that country as a result of the Japanese invasion in the early part of 1942, this country was placed in a difficult position regarding its food supply. The large purchases by the British Government for the forces in the Middle East added to the difficulties. Various measures were, therefore, taken by the Government of India to meet the situation in respect of which reference has been made already. Among the measures taken were the creation of the Department of Food in December 1952, for ensuring equitable distribution of foodstuffs and the Grow-More-Food campaign. The end of the war did not bring much relief to the food situation, but then with the resumption of trade with other countries, it was relatively less difficult to import food. The partition of the country in August 1947, increased, however, the deficiency in regard to food supply. In addition to the measures taken to import foodgrains from other countries, steps had to be taken to distribute equitably the stocks of foodgrains imported as well as internally procured. Though in recent years, due to the increase in the production of food crops, there has been an improvement, the food problem is still difficult, necessitating imports of foodgrains from abroad.

101. The various measures of food control—procurement, rationing, price and movement control—are being enforced by State Governments through powers delegated to them under the Essential Supplies (Temporary Powers) Act, 1946. We shall refer below to the Central Orders, six in number, on the subject which are still current.

(i) *The Foodgrains (Futures and Options) Prohibition Order, 1946.*

This Order was first issued under the Defence of India Rules, but has been continued under the Essential Supplies (Temporary Powers) Act. The Order applies only to the territories which formed former British India.

102. Under clause 3 of the Order, forward trading in certain commodities specified in the Schedule, *viz.* wheat and gram, is prohibited except with the permission of the Central Government. The intention of the Order is to check speculative rise in prices. So long as food controls continue, it is necessary to have these controls not only in respect of wheat and gram but also in respect of other foodgrains. In view, however, of the passing of the Forward Contracts (Regulation) Act, 1952, by Parliament, and with its coming into force, forward contracts in foodgrains should be regulated under that Act and the Foodgrains (Futures and Options) (Prohibition) Order, 1946, should be withdrawn. It is understood that some of the Part B States have issued similar Orders under their own laws. It would be desirable to bring these also under the purview of the Forward Contracts (Regulation) Act, 1952.

(ii) *The Flour (Use in Soap Making) (Prohibition) Order, 1946.*

103. This order was issued as its name indicates to conserve the supplies of flour. It extends only to territories which formed former British India. Some of the witnesses who appeared before us favoured the withdrawal of this Order. In view of the fact that the restrictions on the manufacture, sale and prices of flour from imported wheat have been removed, this Order seems to have lost much of its force. There is, however, still some point in not allowing flour to be used for soap manufacture. When the food situation improves further, the question of the withdrawal of this Order may be considered.

(iii) *The Foodgrains (Licensing and Procurement) Order, 1952.*

104. This Order was issued on the 8th July 1952, and has been brought into force in all States (except Assam and Bhopal, because in these two States the existing control Orders as recently modified contain all the provisions of the Control Order). The foodgrains covered are wheat, paddy, rice, jowar, bajra, maize, barley, minor millets and gram including their edible products. The main features of the Order are as follows:—

*A—Licensing of dealers in foodgrains.*

Under clause 3 of the Order, no person can engage in the business of purchase, sale or storage for sale of foodgrains except under a licence issued by a State Government. Any person who stores more than 15 maunds of foodgrains shall be deemed to have stored it for the purpose of sale. In the case of producers, however, this limit is 100 maunds.

*B—Procurement of foodgrains.*

Clause 10 empowers a State Government to procure foodgrains from any person at a specified price. The specified price should, however, not exceed (a) the procurement price in existence before the 30th April, 1952, or (b) if any procurement price has been fixed after this date, but before the extension of the Order to the State, the procurement price plus a sum not exceeding 10 per cent. in either case.

The other provisions deal with powers to seize foodgrains, power to enter and search premises, etc.

In view of the fact that the overall deficit in foodgrains still persists, and so long as there are transport difficulties and also the possibilities of recurring famines and local scarcities resulting from natural calamities, continuation of this Order and other subsidiary Orders appears to be essential. The question as to what should be done after the expiry of the Essential Supplies (Temporary Powers) Act, has, however, been discussed elsewhere.

(iv) *The Rajasthan Gram and Gram Products (Export Control) Order, 1953.*

and

(v) *The Gram and Gram Products (Export Control) Order, 1953.*

105. Under clause 3 of the Rajasthan Gram and Gram Products (Export Control) Order, 1953, which was issued on the 19th March 1953, the export of gram or gram products from Rajasthan is prohibited except under permits. Clause 5 provides that a State Government may allow an applicant to export 60 per cent. of the gram or gram products intended for export, and as regards the 40 per cent. balance, the applicant may be required to sell the whole or a part of it to the State, in the case of gram at Rs. 10 per maund, and in the case of gram products at the rate of Rs. 10 per maund plus the normal charges for converting gram into the gram products in question. The Gram Products (Export Control) Order, 1953, was issued on the 21st April 1953. Under clause 3 of the Order, the export of gram and gram products from the States of Punjab, Patiala and East Punjab States Union, Madhya Bharat, Vindhya Pradesh, Bhopal and Bihar is prohibited except under permit. Clause 5 of the Order contains the same provision as clause 5 of the Rajasthan Gram and Gram Products (Export Control) Order. These Orders seem to be necessary so long as the deficit in gram continues.

(vi) Order No. PY.620(ii)/52-53, dated the 18th May 1953 prohibiting the manufacture of 'Fines' from indigenous wheat.

106. Under this Order, no owner or person in charge of a flour mill or a *chakki* shall manufacture fines (*maida*, *rawa* and *sooji*) from indigenous wheat except under permits. We think that this Order cannot be enforced, and if it is desired to encourage the use of the more expensive imported wheat for making *maida*, it should be done by administrative measures and not by a statutory control. This Order may, therefore, be withdrawn.

107. *Working of Foodgrains Controls.*—Administration of Controls in respect of foodgrains in regard to which there is an all-India plan of distribution has been largely the responsibility of the State Governments under the Essential Supplies (Temporary Powers) Act. The State Governments exercise control under the power delegated to them by the Central Government in respect of procurement, distribution, movement, prices, etc. of foodgrains. The State Governments have, however, to obtain the prior concurrence of the Central Government before issuing any Orders. The Government of India lays down the broad policies in respect of foodgrains and also exercise general supervision over their implementation.

Under the terms of reference, this Committee is not directly concerned with an examination of the various Orders and Notifications issued by the State Governments in regard to the controls exercised by them on foodgrains in their respective areas. But in so far as some of the matters in respect of which the State Governments have exercised controls and which are of an all-India importance, a reference to them becomes necessary. These matters relate mainly to procurement and distribution.

108. *Procurement.*—The methods of procurement followed differ from State to State. The main methods of procurement are the following:—

- (1) Monopoly procurement.
- (2) Levy: (a) on producer (b) on trade.
- (3) Monopoly *cum* levy.
- (4) Direct purchase from the market.

The witnesses who appeared before us were critical of the procurement prices fixed and the methods of procurement followed by particular States. As referred to in an earlier chapter, in the fixation of prices it is desirable that normally account should be taken of the cost of production plus a reasonable margin of profit. In the case of most agricultural commodities, however, the one disadvantage is that it is extremely difficult to arrive at the cost of production.



especially in a fluctuating market, within any reasonable degree of accuracy and what is important in good time before the harvest so as to be of real benefit to the farmers. The cost of production varies widely not only from crop to crop but also from field to field and the average is not necessarily the most equitable or economic. All that seems to be practicable is not so much to fix the prices of agricultural commodities on the basis of cost of production but to keep in view, along with the other factors, the possible trends in what is known as bulk line costs. Then again, the price fixed for a particular food crop must also have a reasonable parity with the prices of other food crops and also cash crops. The dangers attendant on the fixation of a price which is very much out of parity not only with bulk line costs but also prices of alternative crops are obvious. If the procurement price fixed is too low, the agriculturist not only tries to evade selling his produce to Government, but he has no incentive to grow the particular food crop and he may switch over to alternative crops, especially cash crops which may fetch a better return. If the price fixed for a particular crop is too high, then the production of other essential crops will suffer and the consumers also will be adversely affected.

109. The criticism of witnesses who appeared before us and who spoke for the cultivators was that the procurement prices fixed at present do not give a fair return to the agriculturists. There was another criticism in which some of the State Governments also joined, viz. that for the same food crop, the procurement prices differed widely from State to State.

110. As regards the system of monopoly procurement under which surplus areas are cordoned off and there is only one monopoly purchaser, viz., the Government, it is the price and the quantum of the surplus available which are the determining factors. Scope for harassment by petty officials is relatively less under this system but it can work successfully only in a surplus area. Moreover, the maintenance of inter-State or inter-district bans on movement is a *sine qua non* of the monopoly system.

111. As regards the levy system of procurement, under which the cultivator has to sell directly to Government a certain part of his produce, after allowance has been made for his own requirements and for seed purposes, the criticisms centre round the question of price and the proportion of the levy. If the price fixed is low, the cultivator would try to hide his surplus so as to sell it in the black-market. Some of the witnesses referred to the fact that under this system the cultivator is unduly harassed by petty officials.

Levy on traders which is a variant of this system was generally favoured by certain witnesses. But in this system again, inter-State ban is considered essential and it is doubtful whether this system can work satisfactorily except in a surplus area.

112. Some of the State Governments have a combination of both the Monopoly and levy systems which combine the merits and demerits of both.

113. As regards the method of direct purchases from the market, this presupposes that there are other buyers and unless the price fixed by Government is competitive, it may not be possible to mop up all the surplus.

114. The various systems of procurement in force at present aim at making the best possible use of the local production but they are not uniform throughout the country because of local factors such as the administrative set-up, the surplus and deficit character of the State, etc. Each State has evolved a system of procurement which in its opinion is best suited to its administrative set-up and food economy. In judging the efficiency of the system of procurement adopted by a State it is not fair merely to concentrate on the ratio of the quantity procured by the State to the total production or population. Nor is uniformity in the method of procurement of primary importance. In a surplus State, it should be sufficient if under the procurement system in force, the entire surplus, after meeting the requirements of its population on a reasonable basis, becomes available for export outside the State. In the case of self-sufficient areas, the procurement system should be such as would enable the State to meet its own requirements without having to ask for allocations from the Centre. In the case of deficit areas, the procurement system should be such as would make minimum demands for supplies from outside. In all these cases the maintenance of a reasonable price level is essential.

115. The following further points are relevant in this connection :—

- (i) There is no large scale farming in India nor are the primary producers organized. The surpluses have to be collected from millions of individual farmers who cultivate small farms and generally have small surpluses to offer.
- (ii) A small increase in production does not necessarily mean a corresponding increase in procurement. A large percentage of farmers do not ordinarily produce sufficient grain for their own needs, and the small extra production is likely to be utilized for personal consumption in the first instance.

- (iii) It has been found necessary to have recourse to an increasing extent, to the system of compulsory procurement either on a monopoly or on a levy basis, at a specified price. The monopoly procurement involving inter-State bans has accentuated price disparities as between States and has also created inter-State jealousies. The levy system has caused discontent amongst the producers.

116. The Committee recognises that so long as food shortage continues, compulsory procurement will have to continue as a necessary evil. But it is desirable to organise it in such a manner that its irksome features are minimised and there is as little scope as possible for jealousy amongst the States as well as harassment for the farmers. From this point of view it seems desirable to leave alone the small scale movements of a local character across the State borders as well as the produce of the small farmers.

117. The Committee has given some thought to the two points which were raised before it, viz., (i) the need for some parity of prices as between the different food and non-food crops, and (ii) the need for parity of prices as between the States. In regard to parity of prices as between one food crop and another and also as between food crops and non-food crops, we agree that the present position is unsatisfactory and that there is a very strong case for ensuring that the normal parities are not unduly disturbed. We feel at the same time that this question cannot be solved until this country has a requisite machinery to determine expeditiously and with precision the costs and prices of various competing crops. We recommend therefore, that early action should be taken to set up a suitable machinery for the purpose. As regards the second point, while we feel that at least as between adjoining States there should be some parity of prices in respect of a particular food crop we recognise at the same time that some difference is inevitable on account of the wide differences between the agricultural economy, wages, cost of living, etc. of various States. It seems, however that there is a peculiar tendency for these disparities to grow with time. We have also received complaints that some of the surplus States have tried in the past to charge a higher price for the grain which they were required to export to deficit States and that this has given rise to considerable ill-feeling between the States. We cannot too strongly emphasise the need for discouraging such tendencies. It is only in the fitness of things that there should be some regional specialisation in a country of this size and some States may specialise in growing more foodgrains while others may specialise in growing more cotton

or jute. If each surplus State tries to keep for its own people a large share of the commodity that it produces and also to exploit others who are obliged to buy from it because they are producing less of the commodity in question and more of some other commodity, not only will the economy of the country be seriously undermined but the national unity will receive a very rude shock. We recognise that in the case of one or two very backward States there may be sound reasons for allowing a small surcharge for carrying out certain development projects which would lead to an increase in the production and export of the commodity under question. But such concessions should be very exceptional and should not be allowed without the express consent of the Central Government. Moreover, whatever money may be collected by such a surcharge should not be put into the general revenues of the State but should be spent for such development projects only as would help increase the production and export of the commodity under question. The question of inter-commodity and inter-State price parity would, therefore, require constant study and vigilance. We would recommend that the Central Ministry of Food and Agriculture should take special care to keep this question under constant review and minimize all such disparities as well as prevent any exploitation by a surplus State of the difficulties of a deficit State.

118. One of the other questions to which reference was made before us was in regard to the agency of procurement. The agencies through which the foodgrains are procured differ from State to State. In some States, for example, the agencies for procurement are the rice mills. It was stated to us by the representatives of trade interests that the normal channels of trade have been disrupted. The reason why in some cases the normal trade channels were not utilized was that the trade was not co-operative. But with the improvement in the food situation and the measures towards decontrol taken by some of the States, normal trade channels may now be utilized. It was suggested to us by the representatives of one of the State Governments that instead of procuring directly from the cultivators, procurement should be made from the traders or merchants. The Government could licence the trader or merchant and make him responsible for delivering a specific quantity of foodgrains. The merchants would then have the incentive to get as much as possible from the cultivator, and after delivering the specific quantity to Government, he could sell the rest as he liked. As we have pointed out earlier, this system has its limitations, but we feel that this system may play a useful role at a stage when it is found practical to relax controls.

119. In this context we may make a note of two complaints which were made to us in Assam. It appears that the rice mills there are not only compelled to sell all their production to the Government but are not also allowed to purchase paddy directly from the cultivator. The result has been, especially in the present year, that on the one hand rice mills have been obliged to carry heavy stocks and lock up their capital, because the Government was not able to lift all the rice that they were milling. On the other hand, large stocks of paddy were lying with the cultivators in the absence of vigorous and timely procurement by the Government Agents with the result that some of the quantity which could have been procured during the harvest time was later on either dissipated through increased consumption by the farmers or through smuggling to East Pakistan. We also received complaints that in the Shillong area where there is a State monopoly of public transport the mills are not allowed to move their paddy or rice in their own trucks. This has not only hampered timely movement of grains but has also increased the cost of transport substantially. We feel that such interference with normal channels of trade is regrettable. The Assam Government should consider whether they cannot allow the rice mills to procure paddy directly from the cultivators and also sell a part of the rice produced by them in the open market after meeting the full requirements of the State Government. The rigid monopoly over State transport which is being exercised by the Assam Government in the Shillong area appears also to be objectionable from several points of view. It has created difficulties not only in the case of rice but also in the case of a number of other commodities, e.g., coal, fruits, timber, etc., While there may be some ground for having a monopoly over passenger traffic, we fail to understand why private industries and traders should not have complete freedom to transport their goods in their own trucks. We understand that one of the results of the present transport monopoly has been that trucks carrying goods from Shillong to Gauhati and vice versa have often to come back empty and thus increase the cost of transport. We would recommend that the Assam Government should inquire into the matter and see whether the present unsatisfactory state of affairs cannot be rectified.

120. *Distribution.*—For the purpose of distribution of foodgrains, the States, have (1) statutory rationing or (2) informal rationing. Statutory rationing binds the Government legally to provide a specific ration to every card holder and makes it illegal for the card holder to buy grain except from the ration shops. Under informal rationing there is no legal obligation either on the part of the Government or on the part of the rationed population and purchases

from the open market are permitted. In some of the States which have recently adopted a policy of relaxation of control Government have opened fair price shops; these exist side by side with the open market. In some areas, e.g., Delhi and Calcutta, where statutory rationing is still in force, economic price shops have been opened where limited quantities of superior grains are available in addition to the normal ration quota.

121. As regards the foodgrains distributed by the State Governments through the ration shops, we heard a lot of complaints about the quality of foodgrains supplied. Not only was the quality stated to be poor, it was also complained that the foodgrains were mixed with stones and other foreign matter. It was represented to us that on this ground alone, rationing should be abolished and the consumers allowed to purchase their requirements from the open market. On the other hand, the representatives of the Trade Unions were of the view that so long as food was in short supply in the country, rationing in the urban areas and in the big industrial cities should be continued; otherwise, the poor and the working classes would be thrown at the mercy of the traders.

122. The solution seems to be to replace the system of statutory rationing by that of fair price shops except in very big cities and highly deficit areas and then in the latter to allow a limited number of economic price shops to operate *pari passu* with ration shops. In fact, this has already been done in some of the States, e.g., in Madras where all classes of people said this was working satisfactorily but a general application of this method presupposes an easing of the over-all food supply position.

123. *The Future of Food Controls.*—As is well known, the question of the future of controls in respect of foodgrains is highly controversial. For the past six years or more, this country has been importing about 3 million tons of foodgrains annually to meet the deficit in the food supply. There were some witnesses who expressed the view that there would be no food problem in this country, if all the controls were removed. They based their contention on the fact that in some of the rationed areas where the quantum of ration was small, the people naturally supplemented the rations by making purchases in the blackmarket. Some of them also stated that the official statistics tended to inflate the deficit. If the controls were, therefore, removed, these witnesses stated that the foodgrains which were being hoarded would come out. Removal of controls and the consequent harassment would also give an incentive to the cultivators to step up their production. The Committee feels, however, that in view of the fact that on an average 3 million tons of foodgrains

have annually been imported and consumed, there is no ground for believing that the food shortage is purely statistical and not real. We may note, however, that as a result of the increase in internal production of foodgrains, this country's dependence on imports has recently been reduced progressively. In 1951, for example, 47 lakh tons of foodgrains were imported. This was reduced to 39 lakh tons in 1952, and the Government's import target for 1953 has been provisionally fixed at 25 lakh tons.

124. It appears to us that if the urban areas comprising of a population of about 40 millions could be fed by Government, then the rest of the country would look after itself. The question of feeding the non-producers in the non-urban areas and preventing the prices from fluctuating too much would, however, still be there and some machinery to take care of this problem would have to be devised. This machinery can appropriately take the form of fair-price shops and buffer stocks. The former would look after the vulnerable groups of the population. The latter would be very useful for meeting sudden emergencies which are such a common feature of this country. So long as the bulk of our agriculturists depend on the vagaries of monsoon and so long as imports continue to be difficult, the Committee does not see much prospect of food controls being completely lifted. The Committee, therefore, feels that at least a skeleton of the present food administration will have to be continued for a long time to come. At least one point is certain that it would not be possible to do away with food controls completely by January 1955 when the present Essential Supplies (Temporary Powers) Act expires. Even if food production is good in most of the States there are bound to be pockets where there will be acute scarcity due to droughts or floods or other natural calamities. We feel, therefore, that at least the Foodgrains (Licensing and Procurement) Order, 1952 will have to be continued under some legislation or other and a skeleton staff will have to be maintained to operate this Order, administer procurement and rationing wherever and whenever necessary and carry out buffer stock operations, including management of fair-price shops and storage godowns. In fact with the gradual relaxation of direct controls, buffer stock operations will assume very great importance in future. We cannot go back to the *laissez faire* of the thirties. The State will have to intervene not only when there is a rise in prices but also when there is a slump in foodgrains as well as commercial crops. Moreover, some sort of control over prices and distribution is a *sine qua non* of a planned economy which the country has adopted. Buffer stocks would be a very useful method of keeping the control over prices even in more normal times. It would, therefore, be advantageous to transform gradually the present 'food administration' into a 'buffer stock administration' wherever feasible so

that in the course of time the latter may become a very useful instrument for stabilising the price level in the country protecting both the consumer and the producer against undue fluctuations in prices.

## (2) SUGAR.

### (i) *The Sugar and Gur Control Order, 1950.*

125. The Order provides for the following:—

- (a) Fixation of minimum price of sugar-cane—Under Clause 3, the Central Government can fix in respect of any area the minimum price to be paid by a sugar or gur manufacturer for sugarcane purchased by him.
- (b) Regulation of movement of sugar-cane, and production and movement of sugar—Under Clause 4, the Central Government can prohibit or restrict the export of sugar-cane from any area, and direct that no gur or sugar shall be manufactured from sugar-cane except with a licence. The Central Government can also prohibit or restrict the despatch of gur or sugar from any State or any area therein.
- (c) Fixation of sugar and gur prices—Under Clause 6, the Central Government can fix the maximum ex-factory price from time to time of sugar and gur.
- (d) Allocation of quotas of sugar and gur—Under Clause 7, the Central Government can, from time to time, allot quotas of sugar or gur to any specified State or area and direct any producer or dealer to supply sugar or gur to such areas, markets, persons or organisations.

The other provisions deal with such matters as the issuing of directives to producers and dealers, maintenance of records by producers and dealers, power to seize stocks of sugar or gur, delegation of power, etc.

### (ii) *The Sugar and Gur (Futures and Options) (Prohibition) Order, 1951.*

126. As its name indicates, this Order prohibits futures trading in sugar and gur. The Order was issued consequent on the rise in prices of gur during 1949-50. Futures trading in gur was considered to be responsible for the rise in the prices of gur. With the coming into force of the Forward Contract (Regulation) Act, 1952, this Order should be withdrawn, and suitable action under the said Act may be taken.



Besides the above Orders, the Central Government have issued three Orders (referred to at the beginning of the Chapter) for exercising direct control over three sugar mills for maintaining production and supply of sugar. Such controls seem to be desirable where there is serious charge of mismanagement but in future such orders should be issued more appropriately under the Industries (Development and Regulation) Act, 1952.

127. *Present Control on Sugar.*—The present position in regard to the price control on sugar is that the prices for sugar-cane were reduced by Government from Rs. 1-12-0 to Rs. 1-5-0. Sugar production has improved considerably during the last two seasons as a result of the introduction of what is known as the dual price policy. Under this policy, the sugar mills were required to surrender to Government a specified quantity at controlled prices and sell whatever they produced in addition to this in the market without any price control. The Government have now removed all controls over the prices, movement and distribution of sugar produced in the 1952-53 season. Only releases from the factories are now regulated. Control over prices of gur and *khandsari* has also been lifted.

128. Owing to increased production, the supply position of sugar has eased considerably. Prices have showed a downward tendency, though now and then there is a slight rise. Powers to regulate releases from the factories are, however, necessary, and the Sugar and Gur Control Order, 1950, should, therefore, be continued to that extent. In fact, the recent sharp rise in sugar prices in spite of a substantial increase in production emphasizes the necessity for retaining the powers for control. In this context the Committee would like to recommend that the dual price policy which has had such a salutary effect in the case of sugar is well worth giving a trial in the case of other controlled commodities also as far as practicable.

### (3) FRUIT PRODUCTS.

#### *The Fruit Products Order, 1948.*

129. The two main features of the Order are:—

- (i) Every manufacturer of fruit products, which include fruit juices, tomato juice, jams, jellies and marmalades, bottled and canned fruits and vegetables, etc., is required to take a licence.
- (ii) Every manufacturer of fruit products is required to conform to certain sanitary requirements and specified standards of quality.

It will be seen that the main objects of the Order are to improve the quality standards of the fruit products and also to see that the fruit products are manufactured under hygienic conditions. This, in our view, is highly desirable and we feel that this Order should be a permanent measure.

#### (4) SKIM MILK.

- (i) *The Bombay Skim Milk Powder (Control on Distribution and Movement) Order 1952; and*
- (ii) *Order No. S.R.O. 1606, dated the 13th Septmeber, 1952, delegating power to the Bombay Government to impose controls on milk and milk products.*

130. The Bombay Skim Milk Powder (Control on Distribution and Movement) Order came into force on 24th April 1952, for a period of one year. Under Clause 3 of the Order, the export, import, sale or obtaining of skim powder in Greater Bombay and certain Districts was prohibited except under permits. The Order was issued mainly for the purpose of the implementation of the Greater Bombay Milk Scheme. The Order lapsed on 23rd April 1953, but was replaced by another Order issued by the State Government on the 20th April 1953, under the authority delegated to them by the Central Government under S.R.O. 1606, issued on the 13th September 1952. During our discussions with representatives of the Bombay Government, the Milk Commissioner, Bombay, gave us an account of the Skim Milk Powder Scheme. He said that the Scheme has worked successfully in the Bombay State and made fresh milk available for domestic consumption at subsidised rates. The essence of the Scheme is that the Bombay State holds a monopoly for the import and sale of skim milk powder. The skim milk powder which is imported at lower price is sold by the Bombay Government at a higher price, and the profits made in the transaction are utilised to subsidize the fresh milk scheme. The representatives of the Bombay Government complained that the recent placing of skim milk powder on the Open General Licence for import had placed the State in a difficult position. Skim milk powder was being smuggled into the State and used as an adulterant of fresh milk. The representatives of the Bombay Government pleaded that it was essential that the import of this article should remain a State monopoly. On the other hand, there was some complaint against the Bombay Government's using this Order for charging a higher price from the skim milk consumer to subsidise the consumer of fresh milk.

131. While the Committee agrees that such price discrimination may not be altogether undesirable as a temporary measure if kept within certain limits, it feels that fresh milk scheme should be

made self-sufficient as soon as possible. In any case, we cannot find any justification for the proposal to remove skim milk powder from the Open General Licence for import and make the rest of the country pay a higher price for the benefit of the fresh milk consumer in Bombay.

(5) SPICES.

*The Spices (Forward Contracts Prohibition) Order, 1944.*

132. This Order was issued along with similar Orders on other commodities banning forward trading. With the coming into force of the Forward Contracts (Regulation) Act, 1952, this Order should be withdrawn, and appropriate action under that Act may be taken.

(6) ONIONS.

*The Onions (Removal of Control) Order, 1952.—*

133. Under Clause 3 of this Order which was issued on the 1st June 1952, the State Governments are prohibited from imposing bans on the movement of onions within or outside the States, and also controls on the price, production, movement or distribution of onions, unless authorised to do so by the Central Government.

(7) OILSEEDS, OILS, OILCAKES AND CATTLE FODDER.

(i) *The Oilseeds (Forward Contracts Prohibition) Order, 1943.*

and

(ii) *The Vegetable Oils and Oilcakes (Forward Contracts Prohibition) Order, 1944.*

134. The Oilseeds (Forward Contracts Prohibition) Order was issued on the 29th May 1943 with a view to check the rise in prices that was witnessed during 1941-42 and 1942-43, mainly due to speculation, hoarding and internal transport difficulties. The Vegetable Oils and Oilcakes (Forward Contracts Prohibition) Order was issued on the 8th January 1944 with the object of banning forward trading in vegetable oils and oilcakes. With the enforcement of the Forward Contracts (Regulation) Act 1952, these Orders should be withdrawn, and appropriate action under that Act should be taken.

(iii) *The Vegetable Oil Products (Control) Order 1947.*

135. The main features of the Order are the following:—

- (a) *Distribution.*—Under Clause 3, a producer can sell any vegetable oil product only to or through a recognised dealer, or to a person specially authorised to so acquire the vegetable oil product.

- (b) *Production*.—Under Clause 4, restriction can be placed on the manufacture of any variety or quality of vegetable oil products.
- (c) *Fixation of maximum prices*.—Under Clause 6, maximum prices for vegetable oil products can be fixed.
- (d) *Allocation of quotas to States*.—Under Clause 7, quotas of vegetable oil products can be allotted to States or specified areas or markets.

The other provisions deal with such matters as powers to enter and inspect premises and take samples and to seize stocks of *vanaspati*, etc.

136. The present control on vegetable oil products is exercised for the purpose of ensuring quality only. Price control which was introduced in 1945 was withdrawn in June 1952, as the production of vegetable oil products was more than sufficient to meet the demand. Since vegetable oil products are used as an adulterant of *ghee*, it was found necessary to impose quality control. Under the Order, *vanaspati* has to conform to the prescribed specifications, particularly with reference to the Baudouin test laid down for testing the presence of 'till' oil, whose use in *vanaspati* as a latent colourant is obligatory. The object of laying down the specification is to make *vanaspati* clearly distinguishable from *ghee* and also to make it free from harmful and injurious ingredients. In order to prevent the use of *vanaspati* for adulteration of *ghee*, instructions regarding the manner of its sale have also been laid down.

137. The main criticism made before us against the working of the Vegetable Oil Products Order was in respect of the powers given to the Vegetable Oil Products Controller to enter and inspect premises and take samples and seize stocks of *vanaspati*. It was pointed out to us by some of the manufacturers and Chambers of Commerce that it is not proper if manufacturers are held responsible for contravention of the control in respect of quality on the strength of samples drawn from the retailers. It was added that it was not possible for the manufacturers to exercise any control on the quality of the vegetable oil products after they leave their factories. The suggestion was made that the Order should be amended so that the manufacturers should be held responsible only for the samples drawn from their own stocks and not from the stocks of the wholesalers or retailers. Another complaint was that there was a tendency for the State Governments to lay down their own specifications for *vanaspati* under their food control laws. This, it is suggested, should be prohibited. One suggestion was that the restriction under Clause 4 of the Order under which the flavour to be used in *vanaspati* has to be 'distinct from that of *ghee*' should be withdrawn.

138. As regards the need for ensuring the quality of *vanaspati* there can be no two opinions. It is true that unscrupulous wholesalers or retailers may resort to adulteration for which the manufacturers may be held responsible. But the law as it stands at present has to continue. The solution, in our opinion, seems to lie with the manufacturers themselves who should take all the precautions necessary to see that the wholesalers or retailers through whom they sell the goods to the consumers do not resort to unscrupulous methods. One way of ensuring that the product manufactured by them reaches the consumers without any adulteration is for the manufacturers to devise a method of sealing the tins with their seals and warning the consumers not to buy tins which show signs of having been tampered. The other complaint, viz., that some of the State Governments also lay down their own specifications in addition to the specifications laid down by the Central Government should, however, be rectified. If the Central Government's specifications are on an all-India basis, there is no need for the State Governments to lay down additional specifications. If at all a need for these arises, they can be brought to the notice of the Central Government to be incorporated in the all-India specifications. As regards the third suggestion for the removal of the restriction laid down in Clause 4 of the Order, viz., that the flavour to be used in *vanaspati* has to be distinct from that of *ghee*, we feel that in view of past experience, this restriction should be retained. *Vanaspati* is a product distinct from *ghee* and it is essential that there must be provision for distinguishing one from the other.

- (iv) Order No. S.R.O. 1582 dated 16th September 1952.
- (v) The Oilcakes (Removal of Control) Order, 1952.
- (vi) Order No. S.R.O. 1741, dated the 20th October 1952, and
- (vii) Order No. S.R.O. 1823, dated the 30th October 1952.

139. Cattle fodder (including oilcakes and other concentrates) was brought under the scope of the Essential Supplies (Temporary Powers) Act with effect from August 1950. The Oilcakes (Removal of Control) Order was issued on the 20th October 1952, in accordance with the Government of India's policy that, where in respect of any commodity there is no all-India plan, the State Governments should not impose inter-State bans on the movements of the commodity. Under Clause 3 of the Oilcakes (Removal of Control) Order, the State Governments are prohibited from imposing bans on the free movement of oilcakes within or outside the States. It is also provided under the same clause that the price, production, movement or distribution of oilcakes shall not be regulated by the State Governments unless authorised by the Central Government to do so.

Under Order No. S.R.O. 1741, dated the 20th October 1952, issued by the Ministry of Food and Agriculture, the Central Government has delegated to the State Governments its power in relation to the procurement of oilcakes from mills and the fixing of prices of oilcakes so procured, subject, however, to the condition that not more than 50 per cent of oilcakes produced by any mill can be procured from it. This Order was issued to assist the State Governments in their Grow More Food drive.

Under Orders No. S.R.O. 1582 and 1823 dated 16th September 1952 and 30th October 1952, respectively, the Central Government has delegated to the Bombay and Punjab Governments powers in relation to the control of prices, production, movement and distribution of cattle fodder. The concurrence of the Central Government has, however, to be obtained by the State Governments before promulgating any order under the delegated authority.

Complaints were received by the Committee that undue restrictions were being imposed and unremunerative prices were being fixed for oilcakes by the State Governments under these orders. The Committee feels that the Central Government should keep a watch on these restrictions and ensure that they are not abused or kept in force beyond the barest minimum period which the emergency may require. They should also see that the procurement prices fixed for oilcakes bear a reasonable relation to the economic price.

(viii) Order No. S.R.O. 342, dated the 13th February 1953.

Under this Order, powers are delegated to the State Governments to prevent indiscriminate establishment of oil mills.

#### (8) COTTON SEEDS.

*Existing Control Orders.—*

140. The Control Orders relating to cotton seeds are the following:

- (i) The Cotton Seeds (Removal of Control) Order, 1952,
- (ii) The Cotton Seed (Forward Contracts Prohibition) Order, 1952, and
- (iii) The Cotton Seed (Control) Order, 1952.

141. *Background and objects of the Control Orders: (i) The Cotton Seeds (Removal of Control) Order, 1952.*

Cotton seed is one of the essential commodities included in the Essential Supplies (Temporary Powers) Act. During the period November 1946 to March 1947, cotton seed along with other oilseeds

was subject to distribution and price control under a Basic Plan. But in March, 1947, the control on oilseeds (including cotton seed) was removed and thereafter there has been no all-India scheme of distribution. But several States began imposing restrictions on the export of cotton seeds with a view to conserving their internal supplies. Since the imposition of such restrictions especially in respect of commodities subject to an all-India scheme of control was not in conformity with the Government of India's policy, the position was examined in September 1950, but as it was anticipated that there would be an increase of cotton resulting in the increase of cotton seed, it was decided not to take any action. By the issue of a Notification on 15th September 1951, the Government of India decided to remove the control on cotton seed in all States except Punjab. This Notification was replaced by an Order, *viz.*, the Cotton Seeds (Removal of Control) Order, 1952, issued on the 22nd March 1952. The object of this Order, which is now in force, is to restrict the power of State Governments to control the movement of cotton seed within or outside a State authorised by the Central Government. The Order also prohibits the regulation of production, price or distribution of cotton seeds.

(ii) *The Cotton Seed (Forward Contracts Prohibition) Order 1952.*

142. The Cotton Seed (Forward Contracts Prohibition) Order which was issued on 20th May 1952, replaced the Cotton Seed (Forward Contracts Prohibition) Order, 1949. The Order, as its name indicates, prohibits forward contracts in cotton seed. In view of the passing of the Forward Contracts (Regulation) Act 1952, by Parliament, action to regulate forward contracts should be taken when the Act is brought into operation. The Cotton Seed (Forward Contracts Prohibition) Order 1952, would then be superfluous and would have to be withdrawn.

(iii) *The Cotton Seed (Control) Order 1952.*

143. In view of the issue of the Cotton Seeds (Removal of Control) Order 1952, a State Government could impose a ban on the movement of cotton seeds, only under powers delegated to it by the Central Government. On the 18th December 1952, the Government of India issued the Cotton Seed (Control) Order 1952, and made it applicable to the State of Bombay to meet a temporary shortage in the East Khandesh District of the State. The Order prohibited free export of cotton seed from East Khandesh, West Khandesh, Poona and Sholapur Districts of Bombay and was originally intended to remain in force for a period of three months. By a Notification dated the

17th March 1953, the Government of India have extended the life of the Order by another three months, i.e., upto 17th June 1953. On the 9th May 1953, the Order was extended to the Belgaum and Bijapur Districts of Bombay State. The Order was also amended so as to require every dealer in cotton seed and every owner of cotton ginning factory in the Controlled Districts to furnish such information regarding stocks of cotton seed as may be called for by the District Collectors. The Order has been again extended by another 3 months i.e., upto 17th September 1953.

#### (9) MISCELLANEOUS

##### *The Perishable (Foodstuffs) (Power of Sale) Order 1950.*

144. This Order applies to all Ports in India. Clause 3 of the Order provides that where perishable foodstuffs lying within the jurisdiction of the Ports' authorities are not removed within a specified time limit after due notice, they can otherwise be disposed of. The object of this Order is to ensure that perishable foodstuffs lying within the jurisdiction of the Ports are disposed of before they are rendered unfit for human consumption. No comments were made to us in regard to this Order. This seems to be a desirable measure and may continue.

145. *Delegation of Powers.*—An important aspect of the working of controls in regard to foodstuffs and fodder and to which attention has to be drawn is the restrictions placed by many of the State Governments on the free-inter-State movement of essential commodities. The powers to impose such restrictions were derived by the States mainly from the Notification No. PY. 603 (2)I, issued by the late Department of Food on the 21st October 1946. The Notification, however, provides that before making any Orders relating to certain matters, the State Governments should obtain the concurrence of the Central Government. It was found that several States had placed restrictions on the free movement of a large number of essential commodities such as oilseeds, oils and oilcakes, cattle fodder, cotton and cottonseed, onions, milk and milk products, tea, etc. These restrictions were imposed with the object of keeping the local prices at a relatively low level. But the deficit States which normally used to get their supplies from the above-mentioned States found these restrictions extremely irksome, as they were unable to obtain their usual supplies of the commodities in question, and consequently the prices of these commodities in their areas rose to high levels. Several complaints were, therefore, made to the Government of India. With the coming into force of the Constitution, freedom of trade and commerce throughout India was guaranteed by article 301



but the existing inter-State restrictions were saved by article 305 except in so far as the President would otherwise provide. With a view to enable the President to take suitable action under article 305 and as inter-State trade and Commerce was, after the commencement of the Constitution, a central subject, the Government of India addressed the State Governments early in 1950 and called for information in regard to the inter-State restrictions. A Conference was subsequently held in November 1950, where this subject was discussed. The Conference decided that those restrictions which were imposed and were being continued by State Governments in accordance with an all-India Plan may only be allowed to be continued. As regards the other restrictions which were considered to be inconsistent with Article 301 of the Constitution, which provides for freedom of trade and commerce in the country, it was decided to ask the State Governments to remove them. Accordingly, all the State Governments were advised to withdraw such restrictions by the end of February 1951. Some of the State Governments took action to remove the restrictions, but a few Part B States (which enjoyed the powers under corresponding laws) continued the restrictions, the most important of such restrictions being in respect of oilseeds and oils. On the 27th July 1951, the Government of India issued a Notification under which it was laid down that no order made or deemed to be made under the Essential Supplies (Temporary Powers) Act, or under any corresponding law in force in a Part B State shall have effect so as to prohibit or restrict the movement of edible oilseeds and edible oils from any place in a State to any other place within or outside the State or so to regulate or control the price, production, movement or distribution thereof in any manner whatsoever. On the 22nd March 1952, the Government of India issued the Cotton Seed (Removal of Control) Order removing the bans imposed by the State Governments on the free movement of cotton seed. Similar action was also taken in respect of onions and oilcakes by issuing the Onions (Removal of Control) Order and the Oilcakes (Removal of Control) Order, which were issued on the 1st June 1952 and the 20th October 1952, respectively.

146. While the Government of India's policy in the issuance of the Orders referred to above is no doubt to ban the imposition of controls on the free inter-State movements of certain commodities in respect of which there is no all-India scheme of controlled distribution, the problem has to be examined in greater detail. It is necessary to review the controls imposed by the State Governments on other commodities which are not the concern of a particular State only. We would like in this connection to refer to another point also. After issuing such Orders as the Oilcakes (Removal of Control) Order,

banning the State Governments from imposing controls on inter-State movement, the Central Government has proceeded to make exceptions in respect of certain States by delegating to them the power to impose certain controls for short periods. For example, in the case of cattle fodder, the Bombay and Pūnjab States have been delegated powers to impose control on this commodity. We are informed that in such cases the policy is to delegate on an *ad hoc* basis only such powers and for such limited periods as are considered by the Central Government to be necessary to enable a State Government to meet an emergency. Before any delegations are made or extension granted, the supply and price position not only in the State concerned but also in neighbouring States are taken into consideration. In principle, this appears to be a fairly satisfactory procedure but we understand that this is not always followed in practice. There seems to be also no uniform policy followed by the various Ministries of the Government of India regarding the period for which the delegations are made, or for a periodical review of the delegated powers exercised by the State Governments or for ascertaining the reactions on neighbouring States. It has also been represented to us that under the authority delegated to them by the Central Government, some of the State Governments are still indefinitely continuing certain Orders which have long lost their usefulness. On the other hand, we have received complaints from some States that there is undue delay in delegating powers to them in sudden emergencies and that they were not consulted when powers affecting their sources of supplies were given to some neighbouring States. We would, therefore, like to make a few observations in this connection.

147. *Suggested Procedure for Delegation of Powers.*—If the whole procedure for the delegation of powers in regard to the controls on foodstuffs is to be placed on a new basis, the first step should be to clear the decks, as it were, cancelling all the Notifications, etc., issued by the Central Government delegating powers to the State Governments and the various Orders issued in exercise of those powers. The main notification in this regard is Notification No. PY. 603 (2)I, dated the 21st October 1946. Since the State Governments may be placed in difficulties as regards the Orders issued by them under the delegated powers, we would suggest that the Central Government's Order cancelling all the Orders and Notifications etc. delegating power to the State Governments, including those issued by Part 'B' States under their own corresponding laws, should take effect say, within six months from the date of the issue of the Order. Having done this, the Central Government should ask the State Governments to review all the Orders and Notifications issued by them under the delegated powers. Before the expiry of the six months, the State

Governments should approach the Central Government to make exceptions, if necessary, in respect of certain commodities enabling the former to reimpose controls on these commodities. The State Governments should also take this opportunity to consolidate their various Orders as far as practicable. The State Governments' request should be substantiated by reference to all the relevant facts. Before making an exception, the Central Government should carefully examine the request, possibly by ascertaining the views of all the interests and neighbouring States likely to be affected. If the Central Government arrives at a decision that an exception should be made, the exception should be for a period not exceeding a year in the first instance. Two months before the expiry of the year, the State Government itself should review the position and then sufficiently in advance request the Central Government for a further extension. The Central Government in turn should re-examine the whole position in the light of all the relevant facts and either refuse or agree to the request for further extension. In cases where a sudden emergency has arisen and the Central Government feels that there is no time for making the necessary enquiries and consulting the other interests, they may delegate powers to the affected State straightway for a limited period not exceeding six months and insist that any continuance beyond this limited period would be subject to the procedure recommended above. We feel that this procedure would lead to the smoother working of the controls on foodstuffs and remove the irksome features that were brought to our notice.

नमो भगवते वासुदेवाय

## CHAPTER IX

### THE ESSENTIAL SUPPLIES (TEMPORARY POWERS) ACT, 1946.

#### *Raw Cotton and Cotton Textiles (Cloth and Yarn)*

148. *Raw Cotton: Existing Control Orders.*—There is one control order in respect of raw cotton, viz., the Cotton Control Order, 1950.

149. *Background of the Control.*—The control on raw cotton owes its origin to the situation that was created in 1942-43 when due to a shortage of cloth its price began to rise. Consequently, the price of cotton also rose. In May 1943, the Cotton (Forward Contracts and Prohibition) Order was issued with a view to stop speculation and prevent the rise in prices of cotton. In December 1945, the Indian Cotton (Control) Order was issued. From the 18th January 1948 to the 21st August 1948, there was no control over floor and ceiling prices. The control had to be re-imposed on the 21st August 1948. On the 13th September 1949, a new Cotton Control Order was issued, this Order being subsequently replaced on the 12th September 1950, by the Cotton Control Order, 1950, which is the Order now in force.

150. *Objects of the Cotton Control Order.*—The main objects of the Cotton Control Order are:

- (1) To fix the maximum and the minimum prices of cotton or *kapas* or cotton seed, and
- (2) To regulate the distribution and movement of cotton.

151. *Fixation of Ceiling and Floor Prices.*—Under clause 3 of the Cotton Control Order, 1950, the Textile Commissioner can fix the ceiling and floor prices of cotton or *kapas* or cotton seed. As the supplies of Indian cotton are insufficient to meet the needs of the textile industry, the price policy of Government has two basic objects in view. Firstly, it is intended to prevent prices from rising merely because supplies are insufficient, and thus resulting in a general increase in cloth prices in the country. Secondly, it is intended to assure the grower of a certain minimum return which Government guarantee, by purchasing cotton on their own account, if necessary, so that the progress of cotton cultivation in the country is not hampered by any temporary slump in prices. It was suggested to us that the prices fixed earlier were far too low with the result that, on the one hand, the cultivator did not find it profitable to expand cotton production and, on the other, the control was circumvented and deals

were made at prices higher than the ceiling. The ceiling price was raised in July 1950 and again in August 1951. The floor price also was raised in 1952. The present price levels are considered reasonable. The only other suggestion on this subject which we heard was that announcements of change should be made in good time to have their proper effect on sowings. This point, we understand, is fully realised and, therefore, in 1952, the intention to raise floor prices was announced on the 1st July 1952 although it took effect only, when the new crop came, under a Notification issued by the Textile Commissioner on the 23rd October 1952. If the new prices are not announced by June or July it is usually taken as an indication that the *status quo* continues. While this may be so, the possibility that a change might be made always exists in the minds of the grower and the trade alike. Therefore, it would seem desirable that a definite announcement should be made each year even if it is intended that there should be no change in the prices. We suggest that this announcement should, as far as possible, be made before the end of June at the latest so that the grower knows where he stands.

152. *Control on Distribution and Movement.*—With a view to secure the equitable distribution of cotton, the Textile Commissioner under clause 7 of the Cotton Control Order, 1950, regulates the quantity and the area within which a manufacturer can buy cotton. It is further provided in clause 9 that no person can sell or buy cotton except in accordance with the conditions of a licence. The licences granted under the Order fall into two clauses, viz., A and C, depending on the amount of business done in certain standard years or other considerations. Under the procedure provided in clause 14A, the Textile Commissioner receives applications from manufacturers for allotment of cotton and having regard to the availability of the required description of cotton and other factors, he proceeded to make the allotment. Against the allotment, the manufacturer acquires the cotton from the licensees and at the specified price. Movement control is exercised under clause 18 which gives powers to the Textile Commissioner to prohibit the transport of cotton or *kapas* from any place within an area to any place out-side that area except with a permit.

153. In view of the much easier position of cotton supply on account of gradual increase in the indigenous production, the control on cotton distribution has been considerably relaxed in the following manner:—

- (a) Control on movement of cotton within a State has been kept free. Even though inter-State movement of cotton is still under control, the trade has been given facilities to store cotton in the principal consuming centres, for the purpose of storage and marketing.

- (b) The eligibility for obtaining licences to deal in cotton has been considerably widened. In place of the former three classes of licences, viz., A, B, and C, there are now only two classes of licences, viz., A and C. The mills are permitted to purchase cotton from any one of the A or C class licensees. Formerly, they could purchase only from A class licensees; while B and C licensees could sell to A class licensees only.
- (c) After a break of three years, permission has been given to the East India Cotton Association, Bombay, to trade in futures contracts.

It may also be of interest to note that for the 1952-53 season, the following modifications were made in the price control policy:—

- (i) In order to ensure a fair return to the cotton grower the floor prices of 1952-53 crop were raised by Rs. 55 per candy over those of the 1951-52 season. The ceiling prices have, however, been kept unchanged.
- (ii) More varieties of cotton were brought under price control. Some of the improved varieties like Punjab American 216F, Laxmi, M.A. 5, Buri 0394 and H-420 which were kept outside price control were brought under price control for the purpose of encouraging their production.

154. *Cotton Textiles (Cloth and Yarn): Existing Control Orders.*—The existing control Orders in respect of cotton textiles (cloth and yarn) are the following:

- (1) The Cotton Textiles (Control) Order, 1948.
- (2) The Cotton Textiles (Control of Movement) Order, 1948.
- (3) The Cotton Textiles (Export Control) Order, 1949.
- (4) The Government Contractors (Disposal of Cotton Textiles Unused Material and Rejected Stores) Order, 1949.

155. *Background of the Control on Textiles.*—The present control on cotton textiles owes its inception to the early days of the last war when the abnormal rise in the price of cloth caused considerable hardship to the poorer classes of consumers. As direct control over the prices of cloth was considered difficult, the Government of India thought that the problem could be met by stimulating production and by making cheap cloth available to the poorer classes. Towards the end of 1941, a scheme for the production and distribution of standard cloth was prepared. But the scheme could not be put into effect till the end of 1942 when at a conference between the Central

Government and representatives of the cotton mill industry, the industry agreed to devote 60 per cent. of its productive capacity to the manufacture of cloth required by Government. Subsequently, Government placed some orders for the manufacture of standard cloth. But the cloth situation was worsening and in June 1943, the Cotton Cloth and Yarn (Control) Order was issued under which the Government could control the prices and distribution of cotton cloth and yarn. The various measures introduced under this Order were designed to bring about a substantial reduction in the price of cloth and yarn, and also a considerable increase in their production. In October 1943, the Cotton Cloth Movement (Control) Order was issued with the object of regulating the distribution of cloth from the producing to the consuming centres. But as the cloth position did not improve, Government issued on the 18th May 1945 the Textile Industry (Control of Production) Order with a view to introducing rationalization and standardization of production. Measures were consequently taken to reduce the number of counts spun by mills and also the varieties of cloth produced by them. Besides, every mill was required to devote 90 per cent. of its productive capacity to the manufacture of utility cloth. Control on distribution was also tightened. In December 1947, the Textile (Control of Production) Order was issued, but in January 1948, as a result of the Government of India's de-control policy, restrictions on production of cloth and yarn were removed.

156. Following the removal of control on cloth and yarn in January 1948, prices rose sharply and Government had to reimpose the control in August 1948 by issuing the Cotton Textiles (Control) Order on the 2nd August 1948, and the Cotton Textiles (Control of Movement) Order on the 10th September 1948. Subsequently, on the 26th March 1949, the Cotton Textiles (Export Control) Order was issued. The Government Contractors (Disposal of Cotton Textiles Unused Material and Rejected Stores) Order which was issued on the 29th January 1949 was a re-issue of the same Order issued in 1945 but which was withdrawn in April 1948. It is under the above Orders which are in force now that the control on cotton textiles is exercised.

157. *Objects of the Control.*—The main objects of the Cotton Textiles (Control) Order, 1948, and the Cotton Textiles (Control of Movement) Order, 1948, are:—

- (1) to regulate production,
- (2) to fix prices, and
- (3) to regulate the distribution and movement of cloth and yarn.

158. The object of the Cotton Textiles (Export Control) Order, 1949, as its name suggests, is to regulate the export of cloth and yarn. The Government Contractors (Disposal of Cotton Textiles Unused Material and Rejected Stores) Order provides for the fixation of the prices and markings and the manner of disposal of rejected material or stores in the hands of Government contractors.

We shall first refer to the controls exercised under the Cotton Textiles (Control) Order, 1948, and the Cotton Textiles (Control of Movement) Order, 1948.

159. *Control on Production.*—Clauses 12, 13, 14, 19, 20, 20A, 20B, 20C and 21 of the Cotton Textiles (Control) Order, 1948, deal with the control on production of cloth and yarn. Under these clauses, regulation is exercised over the acquisition and installation of looms by a person, the use of wheat flour or glucose or other sizing or filling material in the manufacture of cloth, and the classes or specifications of cloth or yarn and the maximum and minimum quantities thereof which may be produced. Besides, regulation is also exercised over the use of spindles and the packing of cloth and yarn in bales of certain sizes.

160. Under clause 20 of the Cotton Textiles (Control) Order, 1948, directions to the producers have to be issued by the Textile Commissioner. These directions were issued under Notification No. 78-Tex. 1/48, dated the 30th November 1948. Under these directions, restrictions were placed on the varieties of cloth that could be produced, the varieties of cloth that could be dyed, and the printing of cloth. Restrictions were also placed on the percentage of looms that could be employed by a producer for the production of certain varieties of cloth. The maximum permissible difference between reed and pick was laid down, besides the maximum difference between the warp counts and weft counts. Subsequently, in September 1949, the directions were revised, and a new Notification No. TCS. I/20 was issued on the 22nd September 1949. Some of the restrictions were withdrawn, but the others such as on production of cloth of the same design and colour set-up or colour combination in different cloth groups, the varieties of cloth to be dyed, the number of warps and wefts and the maximum permissible difference between reed and picks were retained. Restriction on the percentage of looms that could be employed by a producer for the production of particular varieties of cloth was also retained. The directions contained in the Notification dated the 22nd September, 1949, which is in force, now, have been revised from time to time to meet the changing conditions. For example, in February, 1951 to meet the shortage of *dhoties* and *sarees* the mills were directed to employ 50 per cent. of their wide-width looms for the production of *dhoties* and *sarees*, and of all looms



so employed, at least 60 per cent. were to be reserved for production of *dhoties* only. In May 1952, certain relaxations were made in production control, e.g., quantitative restrictions on dyeing and printing by mills were removed, and mills were permitted to dye all categories of cloth in sulphur dyes. The mills were also permitted to dye *sarees* and certain packing restrictions were also relaxed. In October 1952, the restriction placed on the mills, viz., that they should reserve 40 per cent of their looms for the production of *dhoties* and *sarees* was removed, but the permission granted to the mills to dye the *sarees* produced by them was withdrawn with effect from the 1st November 1952. In order to assist the handloom industry, on the 9th December, 1952, the mills were directed to limit their production of *dhoties* to 60 per cent. of the average quantity of *dhoties* packed by them for sale in India per month during the year April 1951 to March 1952.

161. On the question of production control on cotton cloth and yarn, the various interests examined by us held divergent views. Representatives of the trade and industry were very critical of the control on production, which they said instead of increasing production actually hampered it. Reference was made by these representatives to the frequent changes made in production control which acted as a damper on production. For example, one of the Associations representing the industry, pointed out to us that under the present control, unwanted varieties of cloth are produced with the result that there is no demand for them. The Mills, the Association said, should be allowed to manufacture such varieties of cloth which suit popular tastes and for which there is a general demand. The existing restriction on the production of *dhoties* has also come in for severe criticism. The main points advanced are that the handloom industry should not be helped at the cost of the mill industry. If the policy is that the handloom industry should be assisted, then other measures should be taken. As a result of the restricted production of *dhoties*, it was stated to us that their prices in some of the States had risen sharply.

162. Some of the State Governments examined by us, however, were of the view that production control should remain. They pointed out that when price control was in force control on production had definitely resulted in the manufacture of varieties required by the public and prevented the concentration of production of the varieties more profitable from the point of view of the mills.

163. While we appreciate the reasons for production control when distribution and prices were controlled also, with the removal of price and distribution control, it should be possible to reduce the degree of control over production. This, in fact has been the recent policy of Government. We recommend that progressively control

over production should be lifted and it need only be retained to the extent necessary for the following reasons:

- (a) protection to the handloom industry, and
- (b) to ensure that the consumer gets durable cloth.

With regard to (a), the matter is under examination by another Committee and its Report may be awaited. As for (b), for some time to come, it seems that some protection to the consumers' interests against mills which do not themselves adhere to the high standards might be necessary. In this context, we quote similar views expressed in the Report of the Working Party on the Cotton Textile Industry (1952):

“.....While we are in sympathy with the general opinion expressed by the Textile Industry that it may be left free to cater to the needs of the consumer without the irksome intervention of the present control measures, we are equally clear that unless the Industry as a whole is in a position to put its house in order and adopt measures which will expose erring members and mete suitable punishments to such, if necessary by claiming powers from the Government for such reform measures being adopted by them, it will be difficult to get out of the era of controls which many of them desire.”

164. *Price Controls*.—Under Clause 22 of the Cotton Textiles (Control) Order, the Textile Commissioner can specify (1) the maximum ex-factory, wholesale and retail prices at which any class or specification of cloth or yarn may be sold, and (2) the marking to be made by a manufacturer or dealer on any class or specification of cloth or yarn manufactured or sold by him. The markings include price markings. Since 1949, the Tariff Board's formula has been taken as the basis for the fixation of prices. Under the Tariff Board's formula the fair prices of cloth and yarn are arrived at by taking into account the main elements in the cost of production, viz., raw cotton, wages and other manufacturing charges, power and fuel and stores. These prices are revised every quarter. Since October 1952, owing in the easy supply position of cloth, Government have been gradually decontrolling the prices of various varieties of cloth. In October 1952 *dhoties* and *sarees*, *mulls* and *voiles*, *poplins* and *crepes*, *drills*, *mazri cloth*, *dosuti*, *bedticking cloth* and some less important varieties were removed from price control. With effect from the 1st January, 1953, other varieties of cloth such as all superfine cloth, falling within Groups XIII—XV, *twills* and *coatings* and certain other varieties were also removed from price control. As a result of these relaxations

price control was removed from about two-thirds of the cloth production. With effect from the 1st May, 1953, price control on *sucis* and shirtings was removed. Very recently in July 1953 price control has been completely lifted over all varieties of cloth and all counts of yarn.

165. As in the case of production control, the views of the various interests examined by us were divergent as regards the control on prices of cloth and yarn. The view of the consuming interests was that the price control had been beneficial as it enabled the consumers to get their requirements at fair prices. But the industry itself and the trade were very critical as regards this aspect of the control. Opposition to the control has been on various grounds. In the first place, the Tariff Board's formula under which the prices had been fixed came in for strong criticism. It was stated that the Tariff Board did not take a realistic view in formulating their suggestion as regards the manner in which the fair prices of cloth and yarn should be fixed. Secondly, it was pointed out to us that the fixation of uniform prices for a particular variety of cloth, without taking into account the quality of the products of the different mills, amounted to putting a premium on inefficiency. Certain mills produced better variety of the same cloth while certain other mills produced inferior varieties. The price fixed at times for certain types did not leave any margin of profits with the result that the mills stopped producing these varieties and turned their attention to the production of other varieties which were actually not wanted by the consumer. The shortage of *dhoties* and *sarees* in early 1951 was attributed to this cause.

166. Another criticism was as regards the margins allowed to distributors over the ex-mill rates in the fixation of prices. It was pointed out to us that originally the margin was fixed at 20 per cent. for cloth and 15 per cent. for yarn. After devaluation in 1949, the margins had been reduced to 14 per cent. and 12½ per cent. respectively. These margins, it was claimed, were very low.

167. Still another complaint was that following the decontrol of several varieties of cloth since October, 1952, Government had changed their policy in regard to adopting even the Tariff Board formula in fixing the prices of the controlled items of cloth as also of yarn.

168. Although the matter has, in view of the recent decontrol of prices, only got an academic interest we would like to point out that the Tariff Board formula of price fixation was devised on the assumption of overall control. When control was confined to some few varieties of cloth the general formula was not always followed. The same reason applied to the price of yarn. As regards the margins allowed to the distributors, the Textile Commissioner during the

course of his examination by us in January 1953, told us that before the war, the profit margins were small. The margins from 20 per cent. for cloth and 15 per cent. for yarn had been reduced to 14 per cent. and 12½ per cent. respectively only after a conference had been held with a view to reducing prices all round in order to bring down the cost of living, and the interests concerned voluntarily agreed to the reduction in the margins. Prices being high, the returns to the distributors were quite reasonable, although the percentages were reduced. In the case of yarn, the Textile Commissioner further explained that the margin was reduced as it was felt that the handloom industry could not produce cloth at a price at which it could be consumed, when the raw material price was so high. He also explained that as between the 'wholesaler' and the 'retailer', a somewhat large margin had to be given to the latter, as his turnover was less and he had to keep the stock for a fairly long period. The Textile Commissioner's view was the margins allowed in the circumstances were quite fair, taking into account the fact that the consumer was willing to buy cloth only at reasonable prices. With the decontrol of prices over cloth production, the points referred to above are now only of academic interest.

169. One of the suggestions in respect of which the Committee invited comments from the various interests was in regard to the marking of prices on the varieties of cloth which had been decontrolled. Several of the witnesses said that the marking of prices would enable the consumers to know exactly that price they would have to pay. Other witnesses, however, were of the view that though marking of prices was desirable, the suggestion was not practicable, as it could not be legally enforced. Some of the witnesses, including the Textile Commissioner, also referred to the difficulties that would be met with in the marking of prices on decontrolled varieties of cloth. It was explained that the price of cotton is an important element in the cost of production, and so long as the prices of cotton are near the ceilings, there would be no change in the prices of cloth over a considerable period. But when the prices of cotton fall, prices of cloth have also to be adjusted downwards. Manufacturers and dealers, however, tend at this stage to hold back the lower priced cloth and release to the consumers only the higher priced cloth, as otherwise the higher priced cloth would be left unsold in their hands.

170. *Distribution and Movement Control*.—Clauses 25, 26, 28, 29, 30, 30A, 30B and 31 of the Cotton Textiles (Control) Order 1948 deal with the control on the distribution of cloth and yarn. The maximum quantities of cloth and yarn which may be possessed by a producer or dealer or other persons are indicated and no producer or dealer can keep cloth and yarn beyond a certain specified period,

from the date of production as marked on the cloth and yarn. Producers have to sell their cloth and yarn only to the following categories of persons, viz., (1) persons nominated by the Central Government to acquire cloth or yarn to meet Government requirements, (2) persons holding licences for export of cloth or yarn out of India, (3) wholesale dealers or other persons nominated by a State Government or by the Textile Commissioner and (4) certain other persons nominated by the Textile Commissioner. The Textile Commissioner has been given powers for securing proper distribution of cloth or yarn, to issue directions to any producer to sell specified qualities of cloth or yarn to any of the persons mentioned above. It is also provided that a wholesale dealer must sell only to dealers or certain other persons specified by the Textile Commissioner, and a retail dealer can sell only under the directions of the Textile Commissioner.

171. Under the Cotton Textiles (Control of Movement) Order, 1948, as its name suggests control is exercised over the movement of cloth and yarn from one place to another. Cloth and yarn can be moved only with a general or special permit from the Textile Commissioner. Under the Notification No. 15-Tex./I. 49, dated 13th August, 1949, issued under the Order, the country has been divided into 25 zones. The movement of cloth and yarn within a zone is not subject to any restrictions, except those laid down by a State Government. State Governments have also been delegated the powers to regulate transport to and from their States, by dealers in cloth and yarn. Movement of cloth or yarn from Greater Bombay or the Ahmedabad Municipal Borough has, however, been subject to the Textile Commissioner's control. Certain articles are exempted from the provisions of the control; these articles include handloom cloth, belting cotton, surgical dressings, *durries*, oil and leather cloth, tape, *newar*, camouflage netting etc.

172. The main features of the distribution system are that allocations of cloth and yarn quotas are made to the States against which the purchases are made by the State nominees from the producing centres. Distribution to consumers within a State is done through the licenced dealers and consumers' Co-operative Societies.

173. On account of the easy supply position in regard to cloth and yarn, the control on distribution has been relaxed progressively since March, 1952. In April, 1952, the mills were allowed to sell to buyers of their own choice, their entire production of fine and superfine cloth and 80 per cent. of coarse and medium cloth. Further relaxations have been made since April, 1953, and distribution control has now been removed entirely over both cloth and yarn.

174. The views of the various interests examined by us on distribution control would, therefore, now be of academic interest only. However, we should like to refer to those views briefly. In regard to the working of distribution control during the last few years, the opinion of the consumers and the State Governments was that the control had served the purpose for which it was meant. In periods of acute scarcity distribution control had helped in the equitable distribution of cloth and yarn to the various States, who in turn had arranged for its distribution to consumers. But the trade interests, particularly, were very critical of distribution control and the manner in which the control had been exercised. The distribution system followed, it was pointed out to us, had disrupted the normal channels of trade. This arose as a result of the system of nominees introduced by the State Governments to lift their quotas.

175. It was stated to us that these nominees were quite new to the distribution trade and could not handle the business efficiently. The old traders were thus thrown out of their business and left unemployed. Then again it was pointed out that at times when these nominees did not lift their quotas, there was accumulation of stocks with the mills, and the consumers thereby suffered. It has come to our notice that in the earlier years of controls distribution through the trade did not function effectively and it is mainly on account of this that steps had to be taken by the State Governments to ensure distribution and this was done through the appointment of nominees. The licensing of dealers by the State Governments came in also for severe criticism.

176. The trade interests particularly suggested that in view of the decontrol of distribution, the provisions of the Cotton Textiles (Control of Movement) Order should be relaxed. On this question, the Textile Commissioner told us, when we examined him in January 1953, that all mills, except in Bombay and Ahmedabad which were large producing centres, had been released from the obligation to take out transport permits before despatching cloth. They had only to send to the Textile Commissioner's Office, returns of the despatches. Similarly, all yarn despatches were subject only to the submission of returns. He added that cloth was still in category 7 of railway priority and nothing beyond category 4 moved automatically. That is why transport permits had to be continued at Bombay and Ahmedabad as thereby the Textile Commissioner was able to arrange for *ad hoc* wagon allotments and 'marry' the wagons available and the consignments offered for despatch.

It has come to our notice that certain States have taken steps to ban import of cloth into their States. This is a retrograde step, as it is against the spirit of the Essential Supplies (Temporary Powers)

Act under which the main object is to make cloth available to the public in plentiful supply and at cheap prices.

177. *Simplification and Reduction of Returns.*—Representatives of the textile industry complained to us strongly in respect of the returns which they had to submit to the various authorities periodically. It was stated to us that the returns were innumerable and the mills have to maintain a full fledged department for preparing and submitting these returns. So far as mills in Bombay City were concerned, it was stated to us that they have to submit the following returns:—

Weekly returns	...	1
Fortnightly returns	...	3
Monthly returns	...	28
Yearly returns	...	1

There were other returns besides, and the total number of returns to be submitted every year came to 577. Many of the forms were cumbersome and contained many columns to be filled in. In addition to the returns to the Textile Commissioner, returns had to be submitted to the Factory Inspectorate, Labour Department of the Bombay Government, Registrar of Joint Stock Companies, etc. It was suggested to the Committee that a direction should be given to the Textile Commissioner to reduce the number of returns to the minimum. When we questioned the Textile Commissioner on this matter, he said that to locate stocks to meet local shortage, etc., it was necessary to call for certain statistical returns. He said, further that in the present circumstances it should be possible to reduce the number and he would examine the matter. We understand from him that he has done this as can be seen from the following statement supplied by him:

	Annual	Monthly	Fortnightly	Weekly	ad-hoc
Total No. of returns (35)	1	27	2	1	4
Returns discontinued (8)	..	5	..	1	2
Balance (27)	1	22	2	..	2

We would like to state here that in regard to cloth and yarn, where controls have been relaxed considerably, there is further scope for reducing the number of returns, and only the very important returns should be continued.

178. Our specific suggestions on the subject are given below :—

- (a) Under Clause 22(1) and (2) of the Cotton Control Order, 1950, mills are to submit in form 'D' each month information relating to stocks of raw cotton, acquisition, consumption and sales of Indian and Foreign cotton, cotton waste and staple fibre. In addition, mills report each fortnight in form 'E' details regarding their purchases of Indian raw cotton. We feel that the later return can be discontinued and, if necessary, the extra information that it provides can be obtained by a slight modification of form 'D'
- (b) By the 2nd of the month, mills send by telegram a fairly detailed report on total packings for export and for home consumption of wearable and non-wearable, controlled and non-controlled varieties of cloth. They also submit a monthly return in form 'S' covering more or less the same ground. These two reports can be amalgamated into one.
- (c) Two monthly returns in forms I and II are submitted by mills relating to cloth and yarn moved from one zone to another without Release Orders. It should be possible to call for 'Quarterly' instead of 'Monthly' reports on the subject considering the general improvement in the supply position.
- (d) Two monthly returns are submitted by the mills relating to the supplies and consumption of coal and coke. One of them is confined to the hard coke requirements for foundries of the mills. This, we think, can be discontinued.
- (e) There are two monthly returns in forms CST No. 1 and CST-3A relating to the production and packing of cloth. We feel that this information can be merged with the monthly return which mills are separately submitting on the same subject—*vide* (b) above.
- (f) A monthly return relating to the production, purchase and delivery of yarn which mills send in form CST-No. 5 can be merged with a similar return which mills submit to the Yarn Branch of the Textile Commissioner in what is known as Annexure-E. Likewise, two other monthly returns relating to yarn submitted in forms CST-6 and CST-7 could be merged in this very report.



- (g) Mills submit monthly returns relating to soft and hard waste in CST-5A. This form could be abandoned and the information received under (a) above should suffice.

179. It has come to our notice during the course of the inquiry that the State Governments also call for returns. We would suggest that a meeting of all the authorities who receive returns from the textile industry, whether the Central Government or State Governments, should be called by the Ministry concerned at an early date and an attempt made to see whether the purpose can be served by copies of certain returns being supplied to more than one authority. Where the number of returns cannot be reduced by making copies of the same returns, unless there are overwhelmingly strong reasons, returns should not be called for more frequently than once a month.

180. *The Cotton Textile (Export Control) Order, 1949.*—Under this Order which was issued on the 26th March, 1949, the procuring of and the trading in cloth and yarn for export to countries abroad is regulated. Cloth and Yarn intended for export should have certain markings, such as 'for export only.' The cloth and yarn should not be stamped with prices. Producers have to sell cloth and yarn intended for export only to an exporter and on production of certain specified proofs about his quota or export licence. Exporters are prohibited from selling this cloth and yarn in this country itself. As regards the price which a producer could charge an exporter, as well as the export price, the Order originally provided for certain percentages over the maximum ex-factory prices fixed by the Textile Commissioner. This price control was to apply only to those countries so notified by the Central Government. In the beginning, price control was applicable to only three countries, but subsequently extended to all countries. In February 1950, however, price control was removed.

181. Witnesses who were examined by us and who were in favour of the removal of all internal controls, such as on production, distribution and prices were, however, of the view that export control should be maintained. In the event of the supply of cloth and yarn not being sufficient to meet the internal demand, restrictions on export could be imposed. But in that event, all that is necessary is to take action under the export control regulations. The Committee, therefore, feel that the Cotton Textile (Export Control) Order may be issued under the Import and Export (Control) Act, 1947.

182. *The Government Contractors (Disposal of Cotton Textiles, Unused Material and Rejected Stores) Order, 1949.*—In view of the fact that there is no price and distribution control on textiles at present, it should be possible to withdraw this Order.

## CHAPTER X

### THE ESSENTIAL SUPPLIES (TEMPORARY POWERS) ACT, 1946:

#### *Coal and Salt*

183. We shall deal with the controls on coal and salt in this chapter. Actually, salt being a food article should have been dealt with by us in the chapter on Foodstuffs and Cattle Fodder. But as coal and salt are under the administrative control of the Ministry of Production, we thought it fit to deal with both these commodities in this chapter. We shall take up coal first.

#### *Coal*

184. *Existing Control Orders.*—There is one control order in respect of coal, viz. the Colliery Control Order, 1945.

185. *Background of the Control.*—The need for control on coal arose during the war years, when, with the increase in industrial activity, the demand for coal greatly exceeded its supply. Due to the fact that labour engaged in the coal mines found attractive work elsewhere, coal raisings were also affected. Control had, therefore, to be imposed on the production, distribution and prices of coal. The Colliery Control Order, was, therefore, issued in 1944 under Rule 81(2) of the Defence of India Rules. This Order was revised in 1945, and the Colliery Order, 1945, continues to be in force to-day by virtue of Section 17 of the Essential Supplies (Temporary Powers) Act, 1946.

186. *Objects of the Control.*—The main objects of the Colliery Control Order are:

- (1) to fix prices of coal;
- (2) to regulate the distribution of coal; and
- (3) to prohibit or limit the mining or production of any grade of coal.

We shall deal with these objects in turn.

187. *Price Control.*—Under Clause 4 of the Colliery Control Order, prices of coal can be fixed for different grades of coal and coke and for different collieries. The prices of coal and coke which were first fixed in 1944 have been revised from time to time. The prices fixed

are pithead prices and different prices are fixed for coal produced in the various coal areas. The representatives of the Coal Mining Industry in their written and oral evidence were of the view that price control has worked effectively and to the advantage of the industry. They emphasized that the existing price control should be continued. Removal of control, they said, would result in lowering of prices and cut-throat competition which was a feature of the pre-war days. Development work of the coal mines would thereby be affected. Besides, the marginal mines would be forced to close down and production would suffer. It was pointed out that there are grave dangers if mines are also closed down, for once they are closed it would be difficult and expensive to reopen them. Closure of mines would also have repercussion on employment. The Industry's representatives drew attention to the fact that even in England there was price control. The representatives of the industry were also opposed to any reduction in the fixed prices; they explained that labour charges formed a large proportion of the cost of production and with the present demands of labour it was not possible to effect any reduction in the wage bill. Actually, one of the Associations has been asking for the restoration of the reductions of 9 annas and 10 annas per ton in the price of coal agreed to by the industry in 1949 at the request of the Government of India in pursuance of efforts then made to reduce the price level. The supply of foodgrains at concessional rates to labour, the Association complained, was becoming unbearable, because collieries were allocated imported grain which costs higher than prices of indigenous grain. Besides asking for the restoration of the cut, the Association has requested that they may be absolved from the responsibility for the supply of foodgrains at concessional rates. While we agree that the restoration of the cut which would increase the price of coal to the consumer is not desirable, we would like to bring it to the notice of Government that to the maximum extent possible, indigenous foodgrains should be supplied to the collieries so that the complaint of the collieries that they are made to bear a burden which should be borne by all purchasers of foodgrains should be removed.

188. While the representatives of the Industry were in favour not only of the retention of price control but of the existing fixed prices, representatives of the consumer interests, which included industrial as well as other consumers, were against the continuance of price control. Their arguments were based on the fact that coal production has been increasing and many of the collieries are willing to offer coal at below the fixed prices. Even if it is necessary to fix the prices, they stated that the prices should be fixed at a lower level.

189. *Distribution Control*.—Clause 8 of the Colliery Control Order provides for control in regard to distribution of coal. The Central Government can issue directions to the colliery owners regulating the disposal of their output or stocks of coal including directions as to the grade, size and quantity of coal which may be disposed of according to the order of priority fixed by Government.

190. The Coal distribution system is that each month the Deputy Coal Commissioner (Distribution), after obtaining an estimate from collieries as to the quantity of coal they could produce for despatch, and after also ascertaining the requirements of the consumers and the number of wagons likely to be made available, makes the necessary allocations proposal in broad categories to the Ministry of Production at Delhi. After the decision of the Ministry of Production is communicated to the Deputy Coal Commissioner, he makes the necessary allocations to consumers.

The object of the distribution control is twofold, viz., (1) to distribute according to the order of priority amongst the consumers whatever coal is produced, and (2) to utilise fully whatever transport facilities are available.

191. During the war period and later, when there was a great strain on the transport system and there was not enough production of coal, distribution control served a useful purpose. But in the conditions prevailing at present, we found that opinion is not unanimous in regard to the continuance of the control. Even amongst the industry itself, opinion is divided. While one section of the industry was in favour of the removal of distribution control, with some priority control over wagons which were limited in number, the other section wanted distribution control to continue mainly on the ground that the transport system still presented difficulties.

192. Representatives of the consumers were also divided in their view as regards continuance of distribution control on coal. While some of the representatives of the consumers felt that since coal production was increasing, distribution controls should be removed, others referred to the transport difficulties and favoured their retention.

193. The present method of the allocation of coal and wagons came in for criticism at the hands of the representatives of the industry as well as the consumers, and various suggestions were made for improving the method. It was pointed out, for example, that some lower grade coal was being forced on consumers who would prefer better grades. As the ash content was about 15 per cent. in high grade coal as against 35 per cent. or even more in low grade

coal, much of the shortage of wagons could be met by distributing only high grade coal. The Coal Commissioner when examined on this point stated that the production of high grade coal was about 80 per cent. of the total production and only 20 per cent. was inferior quality coal. This being the position, actually the bulk of the high grade coal was being distributed to all the consumers in the country.

194. On the other hand, it was represented by one section of the coal industry that the higher grades of coal were being depleted at a rapid pace. It was, therefore, suggested that the consumers of higher grade coal should be forced to take a percentage of their requirements in lower grade coal and that at least 25 per cent. of the available wagon supply should be reserved for lower grade coal. This proposition was not acceptable to the producers of high grade coal, whose view was that the consumers should have freedom in the choice of coal. Reservation of wagons for lower grade coal, in their opinion, would result in loss of available wagon space and further increase the cost of production while reducing the level of production. The Coal Commissioner was of the view that such reservation was fraught with practical difficulties, in view of the inadequate wagon supply, any such reservation could be made only at the expense of the high priority industries. Similarly, the suggestion that consumers should have freedom in the choice of coal was not acceptable in the present conditions. The production of better grades of coal was inadequate to meet all requirements. The transport facilities were also inadequate and a market should be found for lower grade coal also. The present system of qualitative control was aimed at utilising the better and lower grades of coal and the available transport facilities to the best advantage. Every effort was made to supply the minimum requirements of each consumer irrespective of priority classifications.

195. The Committee inquired whether it was not possible to give some latitude to industrial consumers to buy their requirements of coal from the collieries of their own choice within the limit of their quota. It was pointed out by the Coal Commissioner that every consumer has the freedom to choose his colliery,—the only restriction being that the nearest colliery should be utilised to save transport. At present, the quota to each important industrial consumer is fixed by the Central Government while the quota of the smaller consumers is controlled by the State Governments through their State Coal Commissioner. Some of the State Governments represented that the present distribution between the Central and State allottees should be revised, and all allottees should be under the control of the State Governments. Further, they wanted that all allotments

should be made on the recommendations of the State Governments. One of the State Governments also wanted that they should be given the power to re-allocate from one category of consumer to another. When we questioned the Coal Commissioner on this suggestion, he said that it was not desirable that the State Governments should make this sort of diversion. Such diversion, he added, should be done centrally, because coal was of different qualities and different consumers required different varieties of coal. But he appeared to be favourable to the suggestion that the State Governments could be given the powers to divert coal within one class of consumers and within the State quota. The Ministry concerned may consider this suggestion, but it would be necessary for the State Government to inform the Coal Commissioner about the diversion so that the latter could maintain the necessary records in regard to the re-adjustment.

196. A suggestion was made with a view to solving the transport problem, that if coal could be moved by road, it should not be subject to any distribution control. We put this suggestion to representatives of the industry, the various State Government and also the consumers. It was pointed out to us that movement of coal by road would be very costly and hence the suggestion was not of great value. Actually, the Coal Commissioner computed that the cost of coal would be Rs. 2 per maund higher if it was transported by road. Another point was that as very few industrial and other consumers were near the coal fields, the suggestion was not a practical proposition. If, however, some consumers are prepared to move their coal by road, we do not see why it should be subject to distribution control.

197. *Production Controls*.—Clause 11 of the Colliery Control Order provides for production control, viz., that mining of certain grades may be prohibited or limited. It is clear that the purpose behind this clause is to conserve certain types of coal whose resources are limited, viz., metallurgical coal. Actually, under the Coal Mines (Conservation and Safety) Act passed in 1952, Government has been empowered to take certain action, especially in respect of the conservation of metallurgical coal by restricting its output. The control exercised under the Colliery Control Order is, therefore, a sort of negative control and does not aim at increasing production. So that for all practical purposes, this means that the coal industry is not subject to any production control, the aim of which is to increase production. Actually, the necessity for this type of control at present does not arise as coal production has been continuously increasing. In 1948, production of coal amounted to 29.8 million tons. This increased to 31.9 million tons in 1950, 34.3 million tons in 1951 and 36.3 million tons in 1952.

198. *Committee's Observations on Coal Control and its continuance.*—From the above discussion on the working of the Colliery Control Order, it will become evident that opinions differ in regard to the continuance of the different aspects of the controls imposed on the coal mining industry. That the coal mining industry is an important industry, on which several other important industries are dependent, needs no emphasis. Taking into account all the factors, we would agree that the existing control on the industry should be continued. The industry as we have noted is subject to three main controls, viz., in respect of prices, distribution and production. Production control is enforced largely to conserve particular types of coal, viz., metallurgical coal in which our resources are limited. As regards price control, the consumers are naturally anxious for its removal or at least a reduction in the present fixed prices. Due to the rigidity of the cost structure and the fact that the industry is called upon to bear certain burdens, e.g., supply of food at concessional rates, our opinion is that the existing system of fixed prices should continue. We do not support the suggestion that was made that the 'fixed' prices may be treated as 'ceiling' prices. For, if the collieries are allowed to sell below the ceiling prices, the only result would be that there would be unhealthy competition, and the weaker and the marginal mines would go out of production. Once collieries are closed it would be difficult to re-open them, and it would not be in the national interest to allow such a thing to happen in view of the fact that coal production has to be maintained to keep other industries engaged.

199. As regards distribution control in the context of the present transport conditions, our opinion is that the control should continue. We have already referred to certain suggestions made in regard to the improvement of the distribution control system. Some of these suggestions made by the industry, the State Governments and the consumers, are not considered practicable by the Coal Commissioner.

200. In regard to soft coke and brick burning coal in respect of the supplies of which we heard complaints, as the limiting factor is transport, the position should be easier with improvements in wagon supply which are expected at no distant date.

201. It was complained that industries in the South experience difficulties in obtaining their supplies of coal. As the transport bottleneck has been the main cause of the difficulties, it was suggested that coal dumps should be created at important places like Madras, Bangalore, etc. for regularising the supply of coal to industries in the South. The Coal Commissioner told us in regard to this matter that

it would be possible to increase the supplies of coal to the South when the output of the Singareni Collieries went up from the middle of this year. The possibility of placing more wagons for rail transport was also being investigated, and the question of building up to a larger extent the dumps in Madras was also under active examination. If similar action is taken to create dumps at Bangalore and other important places, we expect that the coal supply position in the South will be eased.

### *Salt*

202. *Existing Control Orders.*—In respect of salt, there is one Control Order now in force, viz., the Salt (Reserve Stocks) Order, 1950. However, by virtue of Notification No. PY-603(2)-I, dated the 21st October 1946, issued by the Department of Food, as continued in force under Section 17 of the Essential Supplies (Temporary Powers) Act, the State Governments exercise control on the distribution and price of salt within their States.

203. *Background of the Control.*—The Salt (Reserve Stocks) Order was issued in 1950 mainly to meet an emergency that had arisen in Calcutta. It was feared that due to shortage of salt at Calcutta, merchants would take advantage and raise prices. As Calcutta is the source from which certain regions in that part, including East Pakistan, draw their supplies, steps had to be taken to ensure that adequate stocks were built up. The Salt (Reserve Stocks) Order was consequently issued.

204. *Object of the Control.*—The Order provides that every importer of salt shall store not less than 15 per cent. of salt imported by him in the Government Golah at Calcutta. The Salt Controller has been empowered to vary at his discretion the percentage of salt to be stored, not however, so as to reduce it below 10 per cent. or to increase it about 15 per cent. At present the percentage has been fixed at 10. The object of such a provision is to build up an adequate reserve of salt at Calcutta. (Imports from Tuticorin not exceeding 2,000 tons in each consignment are exempted from the provisions of the Order).

205. *Reserve Stocks Order: Suggestion for its removal from the trade.*—Opinion seems to be unanimous from the various Salt Merchants Associations as well as Chambers of Commerce that the Salt (Reserve Stocks) Order is unnecessary at present and should be removed. Some of the Associations pointed out to us that the Order was issued in 1950 out of panic created at a time when general scarcities were developing. As it is compulsory for every importer to store 10 per cent. of his imports in the Government Golah at Calcutta,



the traders were critical of such a measure and said that this meant blocking up of so much of their capital. It was stated to us that as much as Rs. 50 lakhs were blocked up in this way. Besides this it was complained that godown rent and other incidental expenses are also to be borne by the traders. Further, as release of the stock of salt over the 17 lakh maunds to be held as reserve from the 1st December 1952, is to be freely given, the traders complained that considerable and unnecessary expenses are incurred in taking stocks to the Golahs and from the Golahs to outside destinations. It was stated to us that all these expenses worked out to about 5 annas per maund.

206. Representatives of the salt trading community as well as Chambers of Commerce also stated to us that the Reserve Stocks Order has been more or less a dead letter, as no occasion has so far arisen whereby recourse was had to the reserves held in the Golahs. In addition to this fact, it was stated to us salt production was actually increasing and there was no fear of a shortage of salt.

On the grounds stated above, the trading community and the Chambers of Commerce were strongly in favour of the removal of the Reserve Stocks Order. Some of the witnesses, however, agreed that while they had no objection to the Order remaining on the Statute Book, its enforcement should be held in abeyance.

207. *Committee's Observations.*—The Committee has considered carefully the points raised by the traders and the representatives of the Chambers of Commerce in regard to the working of the Salt (Reserve Stocks) Order and their suggestions for its removal. It must be noted that Calcutta is an important distributing centre for salt not only for West Bengal, but for the adjoining States such as Bihar, U.P., Assam, Tripura and Manipur. From Calcutta, salt is distributed to Nepal also. Representatives of the concerned State Governments when questioned by us were of the view that the Order should be retained, as, otherwise, they apprehended shortage of salt and the soaring of prices. The Salt Commissioner whom we examined was also of the same view. We have considered the question from all aspects and feel that the Order should be retained. But, at the same time we feel that to meet the points raised by the traders and the Chambers of Commerce, we can safely make some changes in the provisions of the Order. At present the stock of salt at the Government Golah is 17 lakhs maunds which represents about 1½ months consumption. The Salt Commissioner when questioned by us as to whether the stocks could be reduced from 17 to 12 lakhs maunds to give relief to the traders said that there were some risks involved in a drastic reduction in the reserves. There was a tendency on the

part of the trade to export more salt to Japan, overlooking the needs of Calcutta and he had, therefore, to compel the trade to take some of their supplies to Calcutta. The Salt Commissioner, however, said that a reduction to 15 lakh maunds could be effected without undertaking any risks. We feel, however, that having regard to the present easy position of salt production, a reduction to 12 lakh maunds should be feasible.

208. As regards the percentage of salt to be stored by the importers in the Golahs, we would suggest that the Salt Controller may be allowed at his discretion to vary the percentage between 5 and 15 per cent. This would mean that in Clause 3 of the Order, for the words—'so however as not to reduce it below 10 or increase it above 15', the words—'so however as not to reduce it below 5 or increase it above 15', should be substituted. The present percentage, viz., 10 may then be reduced by the Salt Commissioner to 5, which amounts to about one month's consumption.

209. In regard to the two other complaints of the trade, viz., that a large capital was locked up in keeping salt in the Government Golahs and that there was unnecessary expenditure such as godown charges and the charges for transhipment of salt from the ship to the Golah and from the Golah to outside destinations, the Salt Commissioner explained to us that even in the absence of the Order it was the general practice of the trade to store their salt in the Government Golahs. As regards the expenses, he said that they were small. We feel that if the reserves in the Golahs are reduced to 12 lakh maunds as suggested by us above, much of the complaint of the trade will be met and the trade could have no complaint regarding the incidental expenses which even in the absence of the Order, they would any how have to incur.

210. *Zonal Scheme*.—A feature of the distribution of salt is the existence of what is called the 'Zonal Scheme' and the 'Nominee System'. Whereas the 'Nominee System' is a creation of the State Governments, the Central Government is responsible for the creation of the 'Zonal Scheme'.

211. The Zonal Scheme was introduced mainly because of transport difficulties. With a view to prevent cross haulage and also to avoid long haulages, the country is divided into regions and salt produced from certain sources is assigned to particular regions. Wagons for the movement of salt are allocated under the direction of the Salt Commissioner. The main criticism of the traders of the Zonal Scheme is that the age old channels of distribution have been disrupted. As an example, it was pointed out to us that under the present Zonal Scheme, railments to stations in Bihar, viz., Gaya,

Patna, etc., are being made from Kharagoda, Sambhar and Bombay which are far-flung sources of supplies. The suggestion was that Bihar should be supplied with salt from Calcutta. There was another criticism as regards the wagon allocations made by the Salt Commissioner. It was pointed out that the Wagon Registration Scheme operated by the Salt Commissioner has worked against the general body of merchants who have not been in the membership of some particular Associations. On these grounds the trading community were, opposed to the continuance of the Zonal Scheme.

212. On the other hand contrary to the views of the traders, it was pointed out to us that due to the existing transport difficulties, it is necessary to continue with the allocations under the Zonal Scheme. As salt is a daily necessity, it is necessary to ensure its supply to the consumers. The Salt Commissioner was of the view that the Zonal Scheme has worked satisfactorily and it has prevented unnecessary haulages and at the same time assured supplies to the various consuming centres. He, therefore, felt that the Scheme should be continued. He also said that under the Zonal Scheme, salt enjoyed priority of movement which was an advantage. The Salt Commissioner also referred to the fact that the movement of salt was seasonal—the season coming to an end on the 15th June—and if wagons were not available in time there would be shortages of salt. Actually, the average supply of nine months was being moved during a period of first four months. The existence of the Zonal Scheme, therefore, helped to overcome these difficulties. Under these circumstances, the Committee is of the view that the present Zonal Scheme may continue until there is an easing of transport.

213. *Nominee System*.—The working of the Nominee System came in for severe criticism at the hands of the salt traders and the Chambers of Commerce. The Nominee System is in existence in the States of Assam, Bihar, Punjab, Uttar Pradesh, Madhya Pradesh, Madhya Bharat, Vindhya Pradesh, Himachal Pradesh, Bhopal, Delhi and Ajmer. Under the powers delegated to them under the Notification No. PY-603(2)-I, dated 21st October 1946, issued by the Department of Food, as continued in force under Section 17 of the Essential Supplies (Temporary Powers) Act, the State Governments referred to above have issued their own notifications under which imports of salt in their States are restricted only to those who are called 'Nominees'. These 'Nominees' are appointed by District Magistrates and other officers to whom the necessary powers are delegated. It appears that the Nominee System owes its inception to the transport difficulties a few years back, and when it was found out that traders indulged in malpractices in regard to the wagons allotted to them.

To overcome these malpractices and to ensure continued supply of salt to the consumers, the various State Governments took measures to appoint their own nominees for importing salt into their States.

214. Representatives of the salt traders in their evidence referred to the fact that the appointment of these nominees has resulted in throwing out of work a large number of traders. For example, representatives of the traders at Sambhar Salt Lake pointed out to us that until the Nominee System was introduced by the States concerned, they had been exporting salt to these States. But now their livelihood was cut off and hundreds of families were suffering.

215. In addition to the above complaint, representatives of the trade referred to the fact that the system was subject to much abuse. Ordinarily, they expected that the wholesale or retail traders in salt in the States concerned would be appointed as nominees, but this was not done. Persons unconnected with the trade were appointed as nominees. It was also stated to us that in some of the States only a few nominees have been appointed so that they have tended to create a monopoly, with the result that the consumers of salt do not get their requirements at reasonable rates. In this connection it was brought to our notice that the consumers are getting their salt at cheaper rates in those States where the Nominee System does not prevail, as compared with those States where the system exists. By the intervention of the nominees it was stated that as much as 8 to 10 annas per bag of  $2\frac{1}{2}$  maunds were added as the nominee's profit to the cost of salt.

216. It was also pointed out that as the railways are in a position to allot all the wagons needed there is no necessity of continuing the system. In support of this it was stated that in the month of November 1952, permits for 2,505 wagons for despatch of salt ex-Salkia to South Bihar and for 1,985 wagons, ex-Dhitput Ghat to Uttar Pradesh were allowed to lapse, which showed that the wagon position was not difficult.

217. The representatives of the State Governments concerned who were examined by us were, however, strongly in favour of the continuance of the system which they said had benefitted the consumer. Some of the State Governments refuted the allegation that there was favouritism in the appointment of the nominees and that persons unconnected with the salt trade were so appointed. They stated to us that actually the nominees were drawn from the trade itself: only in respect of displaced persons, exceptions were made. The Salt Commissioner also stated that the Nominee System was working satisfactorily and only some discontented merchants who were only middlemen complained against the system. He added that complaints against the nominees were investigated and if necessary

they were blacklisted. The Salt Commissioner also referred to the view of the State Governments that if the Nominee System was withdrawn the entire responsibility for the distribution of salt in the States would have to be borne by the Central Government, and said in this connection that it would not be possible for him to undertake this responsibility.

218. We have considered all the points for and against the continuance of the Nominee System and also noted that the State Governments concerned hold strong views in this matter. We feel that the problem should be considered in the light of the main object to be achieved, viz., that the consumer should get his supplies of salt regularly and at a fair price. In our view the Nominee System has outlived its utility, but since the States where the System is prevailing are very strongly opposed to its removal, we recommend that in the first instance these States should allow 'free' imports also, that is, traders other than the nominees should be allowed to take salt into the States, in addition to the nominees. We may observe that 'free' imports of salt are already allowed in the Madhya Pradesh State, where the adoption of such a measure has worked satisfactorily. The Central Government may review the position at the end of the year, and, if necessary withdraw the delegated powers to the States in regard to the continuance of the Nominee System, except in respect of those States where the transport position still continues to be difficult.



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## CHAPTER XI

### THE ESSENTIAL SUPPLIES (TEMPORARY POWERS) ACT, 1946:

#### *Iron and Steel*

219. *Existing Control Orders.*—There are two Control Orders relating to iron and steel, viz.,

- (a) The Iron and Steel (Control of Production and Distribution) Order, 1941; and
- (b) The Iron and Steel (Scrap Control) Order, 1943.

220. *Background of the Control.*—During the early years of the war, when imports were cut off, there was a shortage of steel in this country. Whatever steel was available had to be rationed among the essential consumers and at a reasonable price. Production had also to be rationalised. Control on the production and distribution was consequently introduced. The control was later extended to iron and steel scrap.

221. *Objects of the Control:* (a) *The Iron and Steel (Control of Production and Distribution) Order, 1941.*—The main objects of the Order are:

- (i) To regulate the distribution of iron and steel;
- (ii) To co-ordinate and regulate the production of iron and steel in accordance with the country's demand;
- (iii) To regulate the creation of new productive capacity in respect of iron and steel; and
- (iv) To fix prices for the different categories of iron and steel.

222. *Regulation of Production and New Productive Capacity.*—Under Clause 11-A of the Iron and Steel (Control of Production and Distribution) Order, the Iron and Steel Controller has been empowered to co-ordinate the production of iron and steel in accordance with the country's demand. He can accordingly require producers to obtain his approval to their programmes of manufacture and also require the producers to manufacture such categories of iron and steel as are in his opinion necessary. Under Clause 11-C, it is provided that the setting up of any new iron and steel

plant, or the extensions of the existing plants, should not be carried out unless special authority has been obtained. The object of the control on production is to have a programme of production based on the requirements of different classes of consumers. The production programme is determined on the basis of the distribution system evolved by the Government, which is described in paragraph 224 below.

*223. Regulation of Distribution.*—Clause 4 of the Iron and Steel (Control of Production and Distribution) Order regulates the acquisition of iron and steel of controlled categories from producers and stock holders. Clause 5 provides for the disposal of iron and steel. No producer or stock-holder is allowed to dispose of any iron and steel without a permit issued by the Iron and Steel Controller. The object of control over distribution is to ration the available supplies of iron and steel in accordance with the essentiality of the demand.

224. In advance of a production period (which is a quarter of a year), an estimate is made of the total quantity of steel that is expected to be made available from production and at the same time an assessment is made of the demands of the different classes of consumers. For this purpose the consumers are divided into broad categories, such as, (1) Defence, (2) Railways, (3) Industrial Maintenance and Packing, (4) Steel Processing Industries, (5) Government Development Schemes, (6) Private Industrial Development Schemes, (7) Refugee Housing Schemes, (8) Agricultural Requirements, and (9) General Public (including small scale manufacturers of consumer goods).

The demands under each group are considered and sponsored by various sponsoring and co-ordinating authorities, and on the basis of this information, allotments against each group of demands are made by the Ministry of Commerce and Industry at a quarterly allocation meeting after taking into consideration the essentiality of the demands and availability of iron and steel. Quota certificates against these allotments are issued by the Iron and Steel Controller to important individual allottees on the recommendations of the co-ordinating and sponsoring authorities. With the quota certificate, the holders can obtain iron and steel by placing orders on the producers or on the controlled stockists. Public quotas and the agricultural quota are distributed through the State Governments. Distribution of the allotment made to a State is done by the State Steel Controller, who operates by the issue of permits on Registered Stockists.

225. The distribution control on iron and steel has been necessitated because of the shortage of this commodity. But the policy of the Government of India has been to relax the control as and when the supply position has eased. As a matter of fact in April, 1946, the distribution control on iron and steel was withdrawn, but it had to be re-imposed after four months. Since April 1952, Government have been again relaxing the control over distribution. The most recent relaxations in distribution control have been in respect of heavy structural and heavy rails, bolts and nuts, wire nails, pipes, tubes and fittings (indigenous or imported), bars and rods, and light structurals. These relaxations mean that the consumers can now buy their requirements in respect of these items without a permit. Then again, registered stock-holders, including un-registered re-rollers in the various States have been permitted to sell without permits, iron and steel materials which are held by them for a period exceeding 60 days from the date of receipt by the State Steel Licencing Authorities of first intimation of such stocks but which remain either (1) uncovered by permits or (2) covered by permits but for which no financial arrangements have been made by the allottees within the period of validity of the permit issued. This relaxation is intended for quicker disposal.

226. Witnesses who were examined by us generally welcomed relaxations. There was, however, a section who wanted the Government to go further and remove the entire control on distribution. They said that they were not in favour of partial control. On the other hand, there was another section which advanced the view that total removal of distribution control on all categories of iron and steel was not desirable. They agreed, however, that in respect of items where the supply position has eased, there is a case for gradual removal of distribution control. We inquired from the Iron and Steel Controller whether relaxation, as suggested by some of the witnesses, was possible, for example, in respect of corrugated iron sheets. The Iron and Steel Controller said that it was true that one of the producers had produced some time back a large quantity of sheets which were allotted to some of the States as additions to their normal allotment, but he was of the opinion that no decontrol was possible until production of sheets was sufficient to meet the demand. The Committee feels that as supply is still far short of demand there is no case for complete decontrol in respect of iron and steel. Government should, however, continue to make such relaxations in distribution control as the situation justifies.

227. The present scheme under which iron and steel is distributed came in for criticism at the hands of not only some of the



Chambers of Commerce and other interests, but a few State Governments as well. Various suggestions with a view to modifying the present scheme were made. First, as regards the classification of consumers for the assessment of the demand for steel. It was represented to us by some witnesses that the existing classification needs revision in the light of the circumstances obtaining at present. As regards allocation of steel against the demands made by the several classes of consumers, though the complaints about inequitable distribution of the steel quota are few, it has been represented to us that the steel processing and fabricating industry have not been receiving adequate quota of steel, while there has been an increase in the quota allotted to States for agricultural purposes. The result has been, it is stated, that the steel processing industry has been working below capacity. One of the Chambers of Commerce has suggested that the allotment of indigenous steel to the small industries should be increased, or in the alternative, imported steel should be allotted to them at subsidized prices as has been done in the case of the big industries like re-rolling. So long as there is a shortage of supply it is inevitable that all the consumers cannot get all their requirements. We would, however, commend to Government the needs of the small scale industries.

228. It was stated to us by one of the State Governments that in the case of Central allottees, the recommendations made by the State Governments should ordinarily be followed and as far as possible no change effected from those recommendations. It was also suggested that the Central allottees should be under the effective control of the State Governments. The Committee understands that in all cases State Governments' recommendations are given full consideration before the allotments are made. As regards the second suggestion, we feel that industries of all-India importance must continue to be dealt with centrally.

229. Witnesses also referred to the difficulties experienced in obtaining steel from the producers or the stockists against quota certificates. When the necessary indents or orders are placed, an advance of 25 per cent. is insisted; in some cases, it was pointed out that the full amount is taken as advance. Capital was thus blocked up. In addition to this, it took a long time to get the materials indented for. When the Iron and Steel Controller was questioned by us in regard to this matter, he said that advance payment was insisted from the allottees for obvious reasons. Every effort was, however, made to minimise unnecessary delay in the matter of expediting orders by the stockists. Production has also improved and the time lag has been very much reduced. Since about a year, stocks are moving quickly.

230. As a result of the recent decontrol in respect of certain items, it was stated to us that the relaxation has not resulted in any material change in the distribution system. In the case of heavy structurals, for example, the main producers do not normally book orders directly from the fabricators. This means that while during the period of control, the fabricators had been getting their requirements from the main producers at Column I rate, they would now be compelled to purchase their requirements at Column II or Column III prices from their dealers. The Iron and Steel Controller told us that the main producers were prevailed upon to make use of the existing distribution system so that the advantage of Column I prices may continue.

231. Some of the State Governments also suggested that as an improvement of the present system, within the quota allotted to them, they should be allowed to allocate steel as they wished. There was also a suggestion from some quarters that it should be made possible for State Governments to divert the agricultural quota for non-agricultural purposes. As regards the suggestion for a bulk allocation to the States, within which they should be given a free hand to re-allocate, the Iron and Steel Controller, who was questioned by us, said that the bulk allocations were made to the States after taking into consideration their recommendations in respect of demands of individual industries, and once the allocations are made the States should not be empowered to alter them. The Committee feels that it will be difficult to let the States change allocation at their own discretion because allocations are made on the basis of the importance and priority of the demands. In any case, with the progressive relaxation of control, this question is losing its importance.

232. The distribution within a State of its allotment of steel has also come in for a certain amount of criticism. It was stated to us that some State Governments follow dilatory methods with the result that stockists are unable to sell their products within a reasonable period. This in turn results in the stockists not being able to lift their allotments from the main producers in time, who are thus inconvenienced for want of swift and adequate outlet for their production. It was, therefore, suggested that State control on distribution should be removed and that this would not result in unfair distribution. We would like to point out in this connection that except for sheets, plates and wire, there is no control on other categories of steel dealt with by registered stockists and that with the sixty-day limit after which the registered stockists are free to sell their material, there should be no undue hardship.

233. The Iron and Steel Control Order provides for the appointment of only two classes of dealers, namely, (1) Controlled Stockists, and (2) Registered Stockists. Some of the State Governments suggested to us that they should be given some power in the appointment of Controlled and Registered Stockists. Some others suggested that they should have the power of removing them also, if they considered such a course necessary. It was also suggested to us that the State Governments should be allowed to recognise the small dealers also. When we questioned the Iron and Steel Controller as regards these suggestions, he said that the recommendations of the State Governments were as a rule being accepted in respect of Registered Stockists. Though the Registered Stockists were appointed by the Central Government, they actually functioned under the direct control of the State Governments. In view of this and since controls have been considerably relaxed, we do not see any point in pursuing it. If the existing Registered Stockists are insufficient to cater to the demand, the question of increasing their number may be considered by the State Governments.

One of the State Governments suggested that just as production was programmed, similarly if movement programmes are also prepared and despatches are regularised in accordance therewith, there would be less difficulty. It was, therefore, suggested that the necessary machinery for this purpose should be created in the Iron and Steel Controller's Office. While the suggestion is an attractive one, we understand that due to transport and other practical difficulties, it cannot be given effect to. The Iron and Steel Controller has assured us that, as far as possible, the orders will be executed in the order in which they have been booked, except for priority demands.

234. One of the State Governments suggested that Clause 11-A (c) of the Iron and Steel (Control of Production and Distribution) Order should be amended so as to enable the producers to accept changes in indents if not in all categories at least in a few less important categories. For the more important categories, indents may not be amended unless the Iron and Steel Controller gives his concurrence. Such an amendment, the State Government said, would enable it to procure supplies of the requisite categories without undue delay. The objection against this suggestion is that if the producers accept changes in indents, without the knowledge of the Controller, the latter would be unable to keep himself informed of the production programme of the producers. We do not, therefore, recommend any change in the present practice.

235. *Price Control*.—Under Clause 11-B of the Iron and Steel (Control of Production and Distribution) Order, the Iron and Steel Controller has been empowered to fix maximum prices for different categories of iron and steel sold by (1) a producer, (2) a controlled stockholder and (3) a registered stockist or any other person.

The system of price fixation followed is that uniform selling prices are fixed on f.o.r. port basis, viz., Calcutta, Bombay and Madras, taking into account the retention prices payable to the main producers, plus a surcharge to enable a part of imported steel to be sold at the controlled price. Extras over the basic export selling prices are payable for quality and sizes as also for delivery at stations other than these three ports. The prices chargeable by stockists are higher by Rs. 30 per ton in the case of Centrally Controlled Stockists and Rs. 45 per ton in the case of Registered Stockists controlled by the State Governments.

236. The recent relaxations in distribution control have, however, not been generally accompanied by price decontrol. In the case of pipes, tubes and fittings in respect of which distribution control was lifted on the 19th January, 1953, price control has also been removed. The general view of witnesses who appeared before us is that price control should continue, though in some quarters it was expressed that price control along with distribution control should be removed. The Committee is of the opinion that the present scheme of the fixation of price is working satisfactorily. A few suggestions made by certain witnesses are referred to below.

As regards the price schedule to the Control Order, one of the State Governments stated that the schedule needs simplification. At present additional expenses, such as place extras, etc. are added to the price. If prices are fixed on f.o.r. destination basis, the price structure would become clear to every one. The suggestion was that the amount allowed at present to the producers by way of place extras may be added at an average rate in the selling price as specified in the various columns. Most of the industries are in or near port towns and probably their demand is larger than that of the industries in the interior. If a flat rate were to be fixed, the present port price will have to be increased with the result that the industries in and round about port towns will lose the advantage they have been enjoying for a number of years. On the other hand, with the partition of the country, East Punjab is now required to pay more in the form of freight with the loss of Karachi Port. We understand that the Ministry of Commerce and Industry are already examining this matter with a view to introducing a more rationalised system of freight.

Another State Government stated to us that decisions regarding the fixation of prices are taken without consulting State Governments. These decisions at times benefit the stockholders who charge increased prices on the stocks in their hands. It was also suggested to us that the State Governments should be given some powers to fix prices of certain categories of iron and steel, such as agricultural implements. The basic categories of steel are controlled by the Iron and Steel Controller who fixes their prices. So far as finished products are concerned, it is open to the State Governments to fix the prices, but considering that supplies are easier, it would seem late in the day to think in terms of extending the price control.

237. (b) *The Iron and Steel (Scrap Control) Order, 1943.—Objects of the Control.*—The main objects of the Iron and Steel (Scrap Control) Order, 1943 are:

- (i) To control the distribution of scrap, and
- (ii) To fix prices for the different categories of scrap.

238. *Distribution and Price Control of Scrap.*—Clauses 3 and 4 of the Iron and Steel (Scrap Control) Order deal with the acquisition and disposal of scrap. Under Clause 3, acquisition of scrap by producers from all sources and by others from 'controlled sources' is controlled. "Controlled sources" are the producers of iron and steel, railways administration and any other factory local authority scrap merchant or a person declared as a 'Controlled source'. Clause 4 regulates the disposal of scrap by controlled sources. The distribution system is that a quarterly quota of scrap (including defectives and bulk production cuttings) is allotted to all State Governments. Applications for permits for acquiring scrap are to be addressed to the State Government concerned, and supplies against permits are obtained from Controlled Scrap Merchants in each State.

239. Certain relaxations in respect of distribution control have been made recently. For example, State Governments are allowed to relax the distribution control by issuing permits for scrap and defectives freely and by allowing Controlled Scrap Merchants to sell without permits whatever materials that the State Governments are unable to allocate within a period of 30 days from the date of receipt by the State Iron and Steel Licensing Authority of intimation of the arrival of the stock in the Yard of the Scrap Merchant concerned. Certain categories of scrap have also been removed from distribution control. The relaxations would result in quicker disposal and prevent accumulation at the production centre. Some of the witnesses who appeared before us were not satisfied with the relaxations and suggested the

removal of the entire control on scrap. The Iron and Steel Controller when examined by us on this point, however, thought that the Order should be continued. We feel that as scrap is being allocated for purposes for which perfect steel is not available, the Scrap Control Order should continue for the present.

240. One of the suggestions made to us in regard to the Scrap Control was that re-rolled articles should be made for good scrap and Government should exercise some control to check the quality of scrap to be used for re-rolled articles. The Iron and Steel Controller when questioned in regard to this suggestion agreed that in the case of rods and bars which are re-rolled from scrap, for example, the quality was not up to the desired standard. He thought some Government control was necessary. It was also stated to us that in one of the States, while the open market price of scrap was Rs. 130 to Rs. 140 per ton, the State Controller insisted that the stockholders should supply it at Rs. 60 per ton, as otherwise their licences would be cancelled. It was also complained that the State restricted the movement of scrap outside the State, whereas no such restrictions had been placed by the Central Government. The Committee feels that there should be no such restriction on inter-State movement of scrap. As regards the quality of goods made of the re-rolled scrap, some control over quality would seem desirable, especially when it is used for constructional purposes, where there may be danger to human life, if the material is below standard.

241. *Delegation of Powers under the Control Orders.*—We shall refer here to some other suggestions that were made to us in respect of the control on iron and steel. First, as regards delegation of powers. Some of the State Governments stated to us that delegation of powers to them was inadequate. For example, in one of the States, the delegation of power to inspect, search, etc., has been made in favour of only one officer. Such restricted delegation was not helpful, it was added. The Iron and Steel Controller, whom we questioned on this point, replied that it all depended on the status of the officer concerned. So far as District Magistrates and other officers of similar status were concerned, he stated that such powers may be delegated to them, but not to junior officials. We agree that this suggestion may be given effect to.

242. *Uniformity in application of Orders.*—It is obviously desirable that there is uniformity in the application of the Orders in all the States. Certain instances came to our notice which suggested that this was not always so. We understand from the Iron and Steel Controller, however, that the States are now trying to follow a uniform policy, which is desirable.

## CHAPTER XII.

### THE SUPPLY AND PRICES OF GOODS ACT, 1950.

243. *Main Features of the Act.*—Reference has been made in an earlier Chapter to the circumstances under which the Supply and Prices of Goods Act came to be on the Statute Book. The Act provides for the control of prices of certain goods and for the regulation of production, supply and distribution thereof. The Act applies to goods specified in the Schedule to the Act and to such other goods as the Central Government specifies by a notification. The main features of the Act relate to :

- (1) Fixing of maximum prices and maximum quantities which may be held or sold.
- (2) Restrictions on possession and sale of goods by dealers and producers.
- (3) Limitation of quantity which may be possessed at any one time.
- (4) Issue of Cash Memorandum of certain sales, and marking of prices and exhibition of price lists and declaration of stock positions.
- (5) Regulation of production, distribution and disposal of goods.
- (6) Submission of accounts and information.

The other provisions in the Act relate to penalties, procedure and incidental matters.

244. *Goods Subject to Control.*—The goods which are brought within the scope of the Act are :—

1. Non-ferrous metals, including brass (unwrought and semi-manufactured).
2. Bicycles, bicycle parts and accessories.
3. Cycle types and tubes.
4. Electric bulbs.
5. Caustic soda.
6. Soda ash.
7. Tanning materials (wattle bark, wattle extract and quebracho).

8. Raw rubber.
9. Casein.
10. Infants' foods (Glaxo, Horlicks, Cow and Gate Milk, and Ostermilk).
11. Sulphur.
12. Tannery wool.
13. Chrome ore.
14. Textile accessories and mill stores.
15. Raw jute and jute manufactures.

At present, however, control is exercised on the following goods only:

1. Non-ferrous metals.
2. Caustic soda.
3. Soda ash.
4. Tanning materials.
5. Casein.
6. Sulphur.
7. Tannery wool.

245. *Nature of Controls on Goods.*—The nature of controls exercised in respect of each of the controlled goods is as follows:—

(1) Non-ferrous metals:

Submission of monthly stock returns, limitation of the quantity that can be sold, maintenance of record of sale transactions, and exhibition of price lists.

(2) Caustic soda and soda ash:

Control over distribution, limitation of the quantity that may be held by consumers, ban on sale by consumers, submission of monthly stock returns, maintenance of record of sale transactions and exhibition of price lists and statement of stock of goods held.

(3) Tanning materials:

Control over price, control over distribution, submission of monthly stock returns and exhibition of price lists and statement of goods held in stock.

(4) Casein:

Control over price, control over distribution, submission of particulars of sales, exhibition of statements of price lists and stock of goods held.



## (5) Sulphur:

Control over distribution, limitation of the quantity that may be held by consumers, submission of monthly stock returns.

## (6) Tannery wool:

Control over movement.

246. *Views of interests concerned on the working of the Act.*—The promulgation of the Supply and Prices of Goods Ordinance in September 1950 (replaced later by the Supply and Prices of Goods Act 1950) was necessitated by the outbreak of the Korean War. The view of the various interests examined by the Committee generally was that the measure at that time had beneficial effects. But it was pointed out that conditions had changed since then, necessitating a review of the whole position. It would be pertinent, therefore, to state the views of the interests concerned in respect of the goods subject to control.

(1) Non-ferrous metals.—It has been stated to us that due to reduced demand there has been a fall in the prices of non-ferrous metals. Owing to the inability of traders to hold stocks, it was further stated that non-ferrous metals have sometimes been sold by dealers at less than their cost price. There is no price control, and it was, therefore, suggested that this item should be removed from the scope of the Act, i.e. that the dealers and producers should be exempted from submitting monthly returns and maintenance of record of sale transactions. The submission of such monthly returns and keeping of records of sale transactions, it was pointed out, added to their operating expenses.

(2) and (3) Caustic soda and Soda ash.—In regard to caustic soda and soda ash, it was stated that the supply position has improved and the goods are available at lower prices than those fixed. Opinion is divided as regards the continuance of control. While some of the witnesses have stated that it is desirable to have control on production and distribution as well as on imports, others have stated that though control on prices is not desirable, there may be control on distribution.

(4) Tanning Materials: Wattle bark, Wattle extract and Quebracho.—Tanning materials were included in the Supply and Prices of Goods Act in 1950 as at that time due to reduced imports there was a scarcity of these commodities. Representatives of the tanners and dealers associations stated to the Committee that when the control was imposed on tanning materials they had strongly represented to the Government of India for the removal of the

control but without success. Since then, the supply position has eased considerably. Besides imports of wattle bark and wattle extracts from East Africa, there have been offers from other countries. Several substitutes for wattle bark and wattle extracts such as *Avaram* bark and *Konnam* bark have also come into the market. The plantations of wattle trees in Palani and Nilgiri Hills on a large scale would enable India to be less dependent on imports. Prices of some of the tanning materials are ruling lower than the imported price. On these grounds, the representatives of the tanners and dealers associations as well as some of the Chambers of Commerce urged the removal of control on tanning materials.

One of the tanners and dealers associations stated to the Committee that if the demand of the trade for the removal of control on tanning materials is not acceded to, it would suggest a modification in the existing system, viz., that a quota should be fixed to the tanners on the basis of tanned weight of hides and skins tanned in the tannery as per accounts determined by the Income-tax Officers.

(5) Casein.—There have not been any comments in regard to the control on casein. The position appears to be that with the cessation of stockpiling brought about as a result of the outbreak of the Korean War, there is no possibility of an increase in prices.

(6) Sulphur.—There is no price control on this commodity, but there is distribution control. The Government fixes a quarterly quota for each manufacturer on the basis of the consumption of sulphur during the pre-control period. The U.S.A. is the principal supplier of sulphur and the supplies are made on the basis of quarterly quotas to each country. It was suggested to us that since the sulphur supply position is comparatively easy, control can be removed.

(7) Tannery wool.—There is only movement control over this commodity. No particular comments were made in regard to this control.

247. *Should the Supply and Prices of Goods Act be continued?*—We have given above the views of the interests concerned in respect of each commodity subject to control under the Supply and Prices of Goods Act. It was also generally stated to us by the various interests, including some of the State Governments, that in view of the improvement in the supply position and as prices are showing a downward tendency, the necessity for the continuance of the Act does not arise. Prices of the imported articles were quoted even below the landed costs. In the case of the articles indigenously produced, market prices were also below the ceilings fixed. Since price control was the main feature of the Act, in view of the market

conditions prevailing now the Act has become more or less a dead letter. It was also stated that the supply position could be improved by adjusting the import policy. There were, however, a few State Governments and others who felt the necessity of continuing the control and at least the need to have the necessary powers to impose controls, especially price control, in case of necessity.

248. The Government of India have themselves been reviewing the position from time to time. When the supply position in respect of certain commodities has become easy, these have been removed from control. Bicycles and bicycle parts and accessories, cycle tyres and tubes, electric bulbs, and infants' foods, etc. are instances to the point.

249. The trade have also felt, as already referred to, that some of the obligations imposed under the Act, *e.g.* submission of monthly stock returns, exhibition of price lists, etc. are irksome, especially when the controls in respect of prices have become ineffective.

250. As we have seen in an earlier Chapter, the Supply and Prices of Goods Act will expire on the 14th February 1954 unless its life is further extended by an appropriate Resolution under article 249 of the Constitution. We do not think that there are any strong reasons to provide for the continuation of the Act. The Industries (Development and Regulation) Act, as recently amended, covers now many of the goods within the scope of the Supply and Prices of Goods Act and, if necessary, suitable orders under this Act relating to those goods may be made. Controls over goods not covered by the former Act can, in our opinion, be allowed to lapse safely. If the comprehensive Act recommended by us becomes possible there would be no difficulty at all in re-introducing controls when the situation demands but if it does not, Government may have to think of enacting a new law to control articles not covered by the Industries (Development and Regulation) Act. If price control only is then considered sufficient, such law should be within the competence of Parliament in virtue of entry 34 of the Concurrent List but if production and distribution also have to be controlled, resort will have to be had to the procedure laid down in article 249 or article 250 of the Constitution or, as in the case of the Drugs (Control) Act, Parliament will have to legislate for Part C States and the States will have to be requested to enact their own laws on similar lines.

## CHAPTER XIII.

### THE DRUGS (CONTROL) ACT, 1950.

251. *Main Provisions of the Act.*—The Drugs (Control) Act extends to Part C States and applies to such drugs as the Central Government may by notification in the Official Gazette declare. The main provisions of the Act relate to the following matters:—

- (1) Fixing of maximum prices and maximum quantities which may be sold or held.
- (2) Limitation on quantity which may be possessed at any one time by a person.
- (3) Regulation of sale and disposal of drugs by dealers or producers.
- (4) Issue of cash memorandum of certain sales, and
- (5) Marking of prices and exhibition of price lists and stock positions.

The other provisions of the Act deal with penalties, procedure and incidental matters. Part A and Part B States have made corresponding laws, the provisions of which are more or less on the same lines.

252. *Should Drug Controls be continued? Views of interests concerned.*—Representatives of the Chemists and Drugists Associations as well as Chambers of Commerce stated to us that while the price control of drugs did bring relief to the general public at a time when there was a shortage of essential drugs and medicines, at the present moment the Drugs (Control) Act is more or less a dead letter as owing to the improvement in the supply position, the market prices of many of these drugs and medicines are below the controlled prices. The general view among this section was that the relevant law should be repealed. The obligations imposed under the law in regard to marking of prices, exhibition of price lists, etc. were irksome, especially when the price control is unnecessary. While some of the State Governments maintained that the control should continue in respect of drugs and medicines in short supply, others were of the view that the drug control laws have outlived their usefulness.

It was also stated to us by some of the State Governments and others that in the absence of a proper enforcement machinery, such controls could not be enforced effectively.

253. We have given careful consideration to the question of the continuance of the control on drugs and medicines in the light of the evidence tendered before us. There is no doubt that the supply position today has improved considerably. We find that the continuance of control on prices of drugs under the Drugs (Control) Act is no longer necessary. By liberalisation of the import control policy, if necessary, the supply of drugs and medicines can be maintained at a reasonable price level. Opinion was also expressed by the trade associations and several State Governments that the power to exercise control over drugs should remain but the Control Orders and Notifications be withdrawn in the light of the present easy conditions. We agree with this view and we recommend that the Orders and Notifications, etc. under the Drugs (Control) Act and the corresponding Part A and Part B State laws may be withdrawn. We have recommended earlier that there should be one Act in respect of all controls. We, therefore, suggest that the powers under the Drug (Control) Act 1950 also should be incorporated in that Act and the former Act should be repealed in due course. Such a repeal is all the more necessary because the public are apt to confuse the Drugs Act, 1940, which deals with Drugs Standard Control, with the Drugs (Control) Act of 1950 which has nothing to do with Drugs Standard.

254. A suggestion which the Committee put to representatives of various interests appearing before it was in regard to the marking of prices of drugs and medicines consequent on the lifting of controls. This marking of prices, for example, would be similar to the marking of prices on books and would be of help to the consumers. Several of the representatives of the chemists and druggists associations, State Governments and others favoured this suggestion. We commend this suggestion to the dealers and producers of drugs and medicines. The necessary power to issue a direction to achieve the object exists in Section 10 of the Drugs (Control) Act.

## CHAPTER XIV

### SUMMARY OF RECOMMENDATIONS

255. Our main recommendations are summarised as under:—

(1) There are times when controls are necessary and equally at times controls are harmful. Controls can, however, be used for a positive purpose. For planned progress in the economic field, Government must, in the last analysis, retain the powers of overall guidance and control. (Paras. 33 and 34).

(2) The controls of all essential commodities should be regulated on an all-India basis. (Para. 41).

(3) There should be a single permanent and consolidated Central law conferring upon the Central Government reserve powers of control over any commodity at any time sufficiently elastic and comprehensive to meet any emergency. (Para. 36).

(4) The Constitution should be suitably amended to confer upon Parliament the necessary legislative power to enact such law. Entries 26 and 27 of the State List should be transferred to the Concurrent List to achieve the object in view. (Para. 41).

(5) Such law should be on the lines of the Essential Supplies (Temporary Powers) Act. On the enactment of such law, the Drugs (Control) Act and Chapter IIIB of the Industries (Development and Regulation) Act will have to be repealed (Paras. 41 and 42).

(6) If, however, an outright transfer of entries 26 and 27 of the State List to the Concurrent List is for any reason not possible or practicable, the Constitution should in the alternative be amended to confer legislative powers on Parliament in respect of foodstuffs, cattle fodder, raw cotton, cotton seed and other agricultural products. For this purpose an appropriate new entry 33A may be inserted in the Concurrent List. (Para. 43).

(7) As the Essential Supplies (Temporary Powers) Act, 1946, is due to expire on the 25th January 1955, it is necessary that the action recommended be taken before that date. (Para. 44).

(8) The maximum imprisonment for any offence against control laws need not be more than three years. (Para. 48).

(9) It is not necessary to provide that imprisonment should be compulsory in respect of any offence or that the penalties of both imprisonment and fine should be awarded in any specified cases. It should be left to the Courts to determine the form and extent of punishment in each case on its merits. (Para. 49).

(10) Attempts to contravene and abetments of contravention of the control laws should also be made punishable. (Para. 49).

(11) As regards offences by corporations, the provisions of section 15 of the Supply and Prices of Goods Act are more suitable and should be adopted in all control laws. (Para. 50).

(12) Regarding the suggestion that certain classes of offences should be punished by administrative action, it is not desirable that the established course of justice should be short-circuited by this method. (Para. 51).

(13) Regarding the suggestion that officers below the rank of Police Inspectors may also be empowered to investigate control offences, the normal procedure provided by the Code of Criminal Procedure may be followed in control offences also. Administrative instructions may be issued by the competent authority that certain specified classes of offences should be investigated only by officers of or above a specified rank. (Para. 54).

(14) A provision empowering the Government to make orders conferring on the departmental staff powers of investigation of control offences and of search and seizure should find place in all control laws so that it may be used in cases where the departmental staff are trained to exercise such powers. (Para. 55).

(15) The suggestion that it should not be made compulsory to call witnesses of the same locality when searches are conducted for offences against control laws is not acceptable. (Para. 56).

(16) In all important, complicated or doubtful cases, the previous advice of a Government Advocate should be sought before launching the prosecutions. (Para. 57).

(17) The appropriate authorities should make a periodical review of the cases in which action has been taken for trivial and technical offences and devise ways and means to minimise hardship or harassment. (Para. 58)

(18) The trial of control offences should be concluded within the minimum possible time. (Para. 60).

(19) The State Governments should keep a close watch on the volume of criminal work and strengthen the magistracy to facilitate quick disposal of the control cases. If there is a tendency to put back the control cases to give preference to cases under the ordinary criminal law, it should be strongly discouraged. (Para. 60).

(20) If in particular cases or class of cases, inadequate sentence is awarded, the higher courts may be moved for enhancement of the sentence. (Para. 62).

(21) The special procedural provisions made in the Essential Supplies (Temporary Powers) Act are generally sufficient and suitable and may be adopted in all control laws. However, the provisions of section 138 of the Essential Supplies (Temporary Powers) Act need not find place in the Statute and may be enforced by appropriate administrative checks. (Para. 63).

(22) The provision for the prior consent or sanction of any authority to institute a prosecution is unnecessary. (Para. 64).

(23) The posts sanctioned in control offices though temporary should be filled from the permanent services and such temporary recruitment as takes place should be in the resultant vacancies. (Para. 69).

(24) It is desirable to have an even balance between temporary and permanent people in all the Government Departments than to follow the present system of concentrating the temporary men in the control offices. (Para. 69).

(25) It is very undesirable that tenure of staff engaged in control offices should in any way induce them to prolong their work. Common rosters of temporary Government servants should be maintained by the Central and State Governments respectively, so that if work in a particular control office goes down, the resultant retrenchment would be evenly borne by all offices. (Para. 69).

(26) If Advisory Committee are to be really useful the choice of personnel must be representative and must be carefully made. (Para. 71).

(27) Advisory Committees should meet as often as possible and review the working of the controls in their jurisdiction, district or State. (Para. 71).

(28) For some of the important commodities, such as cotton textiles, iron and steel, and coal, it may be advisable to have separate Advisory Committees. (Para. 71).



(29) A summary of recommendations of the Central and State Advisory Committees and the action taken thereon may usefully be placed before the respective Legislatures once every year. (Para. 71).

(30) The system of control laws should be easily intelligible to every one concerned. (Para. 72).

(31) The provisions regarding the various aspects of control relating to a commodity should be made in a single Order. The practice of making different Orders to cover different aspects of control relating to a commodity should be discontinued. (Para. 73).

(32) A sound system of numbering the Orders and Notifications and amendments thereto should be evolved so that every one concerned can easily check the upto date position of the control laws. (Para. 76).

(33) Each officer in charge of the administration of controls should maintain master copies, brought upto date, of the Control Orders and Notifications with which they may be concerned, and a complete list of all amendments to such Orders and Notifications. (Para. 76).

(34) Consolidated Orders and Notifications as suggested in Appendix V should be reissued and the other Orders and Notifications which do not require consolidation should be reprinted as brought up to date, in Appendix IV and in doing so the system of numbering suggested by the Committee should be adopted. (Para. 78).

(35) All Orders relating to prohibition or regulation of forward contracts, futures and options should be withdrawn and appropriate action in that direction should be taken under the Forward Contracts (Regulation) Act, 1952. (Para. 78).

(36) The number of Forms should be considerably reduced and made less cumbrous and the Returns should not be too frequent. (Para. 79).

(37) The Ministries concerned should make suitable arrangements for a periodical review of the Forms and Returns and for weeding out such of them as may be no longer necessary. (Para. 80).

(38) Public attention to the Orders and Notifications published in the Official Gazette should be drawn by issuing Press Notes containing the substance thereof. Wherever possible, such Press Notes may be issued in the regional languages as well. (Para. 81).

(39) Arrangements should be made at the Government of India Press or other appropriate agency for booking of orders for the regular supply of copies of all Orders and Notifications to the subscribers on payment of annual subscription. (Para. 81).

(40) The various Orders and Notifications, incorporating all the amendments thereto, should be reprinted every year. Handbooks containing all the Control Orders should be brought out by the Central and State Governments and be reprinted year after year after incorporating all the amendments. (Paras. 82 and 83).

(41) So long as controls remain and the State Governments prefer to retain the nominee system in connection with distribution it should be ensured that the appointment of nominees is made in a fair manner and with the ultimate object of giving the best service to the consumer. (Para. 85).

(42) The Central Government or Officers and authorities subordinate to the Central Government should not delegate their powers directly to Officers and authorities under the State Governments. The formula adopted by the Supply and Prices of Goods Act and in the Industries (Development and Regulation) Act is the right one. (Para. 86).

(43) Concurrence of the Central Government is necessary for the issue of Orders by the State Governments under delegated powers to enable the Central Government to satisfy itself that the delegated powers are not exercised by the State Governments in a manner detrimental to the interests of their neighbouring States or of the country as a whole. The Central Government should avoid delay in giving or withholding its concurrence. (Para. 87).

(44) When powers are delegated by the Central Government to the State Governments to meet a specified situation, express provision should be made in the relevant Notification that the delegation of powers and the Orders made pursuant thereto should be operative for specified periods only. (Para. 88).

(45) With a view to review and re-examine the various delegations of power now in existence, all delegations should be withdrawn with six months' notice and the States should be asked to approach afresh for delegation of powers within that period. (Para. 88).

(46) Whenever it is necessary to control prices by law, every effort should be made to make a thorough examination of all the factors involved, to assess the long-term effects of the policy no less than its immediate effects and to ensure that the policies followed in allied economic fields are not such as to undermine the effectiveness of the control measures. (Para. 98).

(47) So long as food controls continue, it is necessary to prevent forward trading in respect of not only wheat and gram but also in respect of other foodgrains. (Para. 102).

(48) When the food situation improves further, the question of the withdrawal of the Flour (Use in Soap Making) (Prohibition) Order, 1946, may be considered. (Para. 103).

(49) As long as the overall deficit in foodgrains persists, and there are transport difficulties, recurring famines and local scarcities resulting from natural calamities, continuation of the Foodgrains (Licensing and Procurement) Order, 1952, and other supplementary Orders is essential. (Para. 104).

(50) The Rajasthan Gram and Gram Products (Export Control) Order and the Gram and Gram Products (Export Control) Order, 1953, are necessary so long as the deficit in gram continues. (Para. 105).

(51) As Order No. PY-620(ii)/52-53, dated the 18th May 1953 prohibiting the manufacture of 'fines' from indigenous wheat cannot be enforced in practice, hence it should be withdrawn. (Para. 106).

(52) So long as food shortage continue, compulsory procurement will have to continue as a necessary evil. (Para. 116).

(53) Early action should be taken to set up a suitable machinery for the purpose of determining expeditiously and with precision the costs and prices of various competing crops. (Para. 117).

(54) The Ministry of Food and Agriculture should keep the question of inter-commodity and inter-State price parity under constant review and minimise all such disparities as well as prevent any exploitation by a surplus State of the difficulties of a deficit State. (Para. 117).

(55) With the improvement in the food situation and the measures towards decontrol taken by some of the States, normal trade channels may now be increasingly utilised. (Para. 118).

(56) The Assam Government should consider whether they cannot allow the rice mills to procure paddy directly from the cultivators and also sell a part of the rice produced by them in the open market after meeting the full requirements of the State Government. (Para. 119).

(57) The Assam Government should reconsider the question of the rigid State monopoly over transport which is being exercised in the Shillong area. (Para. 119).

(58) The system of statutory rationing may be replaced by that of fair price shops, except in very big cities and highly deficit areas where fair price shops should be allowed to operate *pari passu* with ration shops. (Para. 122).

(59) The Foodgrains (Licensing and Procurement) Order, 1952 will have to be continued and a skeleton staff maintained to operate the Order. (Para. 124).

(60) Orders issued for direct control over individual sugar mills for maintaining production and supply of sugar may be continued, but in future such Orders should be issued more appropriately under the Industries (Development and Regulation) Act, 1952. (Para. 126).

(61) As regards Sugar Control, powers to regulate releases from the factories are necessary and the Sugar and Gur Control Order, 1950, should, therefore, be continued to that extent. (Para. 128).

(62) The dual price policy which has had such a salutary effect in the case of sugar is well worth giving a trial in the case of other controlled commodities also as far as practicable. (Para. 128).

(63) The Fruit Products Order, 1948 should be continued as a permanent measure. (Para. 129).

(64) There is no justification for the proposal to remove skim milk powder from the Open General Licence for import. (Para. 131).

(65) To avoid liability from adulteration the manufacturers of vegetable oil products should devise a method of sealing the tins with their seals and warning the consumers not to buy tins which show signs of having been tampered. (Para. 138).

(66) If the Central Government's specification in regard to Vegetable Oil Products are on an all-India basis there is no need for the State Governments to lay down additional specifications. (Para. 138).

(67) As *vanaspati* is a product distinct from *ghee*, it is essential that there must be a provision as, for example, in clause 4 of the Vegetable Oil Products (Control) Order, 1947, for distinguishing one from the other. (Para. 138).

(68) The Central Government should keep a watch on the restrictions imposed on oilcakes and ensure that they are not abused or kept in force beyond the barest minimum period which the emergency may require. (Para. 139).

(69) The Perishable (Foodstuffs) (Power of Sale) Order, 1950, may continue. (Para. 144).

(70) The Committee's recommendations regarding the suggested procedure for delegation of powers in respect of foodgrains and cattle fodder are contained in paragraph 147.

(71) A definite announcement should be made each year regarding floor and ceiling prices of cotton, even if it is intended that there should be no change in the prices. This announcement should be made before the end of June at the latest. (Para. 151).

(72) Progressively control over production of cloth should be lifted and it need only be retained to the extent necessary for one of the following reasons: (a) protection to the handloom industry, and (b) to ensure that the consumer gets durable cloth. (Para. 163).

(73) The steps taken by certain States to ban imports of cloth into their States is a retrograde step as it is against the spirit of the Essential Supplies (Temporary Powers) Act under which the main object is to make cloth available to the public in plentiful supply and at cheap prices. (Para. 176).

(74) In regard to textiles there is scope for reducing the number of forms and returns to be submitted by the textile mills. The Committee's specific suggestions in this regard are contained in paragraph 178.

(75) A meeting of all the authorities who receive returns from the textile industry should be called by the Ministry concerned at an early date and an attempt made to see whether their purposes can be served by copies of the same returns being supplied to all the authorities. (Para. 179).

(76) The Cotton Textile (Export Control) Order, 1949, may be issued under the Import and Export (Control) Act, 1947. (Para. 181).

(77) In view of the fact that there is no price and distribution control on textiles at present, it should be possible to withdraw the Government Contractors (Disposal of Cotton Textiles Unused Material and Rejected Stores) Order, 1949. (Para. 182).

(78) The State Governments may be given the powers to divert coal within one class of consumers and within the State quota. (Para. 195).

(79) If some consumers are prepared to move their coal by road, it should not be subject to distribution control. (Para. 196).

(80) The existing control on the coal industry should be continued. (Para. 198).

(81) The existing system of fixed prices for coal should continue. 'Fixed' prices may not be treated as 'ceiling' prices. (Para. 198)

(82) Distribution control in respect of coal should continue as long as transport is short. (Para. 199)

(83) Special efforts should be made to create coal dumps in the South in central places like Madras and Bangalore to assure regular supplies of coal to industries. (Para. 201)

(84) The Salt (Reserve Stocks) Order, 1950 should be retained, but in the present easy position of salt production, a reduction to 12 lakh maunds from 17 lakh maunds of the stock of salt at the Government Golah at Calcutta should be feasible. (Para. 207)

(85) As regards the percentage of salt to be stored by the importers in the Golahs, the Salt Controller may by an amendment of the Order be empowered to vary the percentage between 5 and 15 per cent. The present percentage, viz. 10 may then be reduced by the Salt Controller to 5. (Para. 208)

(86) The present Zonal Scheme may continue-until there is an easing of transport. (Para. 212)

(87) The Nominee System in respect of salt has outlived its utility. (Para. 218)

(88) As supply is still far short of demand there is no case for complete decontrol in respect of iron and steel. Government should, however, continue to make such relaxation in distribution control as the situation justifies. (Para. 226)

(89) So long as there is a shortage of supply of steel, inevitably all the consumers cannot get all their requirements. Government should pay particular attention to the needs of small-scale industries. (Para. 227)

(90) Industries of all-India importance must continue to be dealt with centrally in the matter of supplies of iron and steel. (Para. 228)

(91) It will be difficult to let the States change allocations of steel in their own discretion because allocations are made on the basis of the importance and priority of the demands. (Para. 231)

(92) If the existing Registered Stockists are insufficient to cater to the demand, the question of increasing their number may be considered by the State Governments. (Para. 233)

(93) As regards the suggestion that clause 11A (c) of the Iron and Steel (Control of Production and Distribution) Order should be amended so as to enable the producers to accept changes in indents, no change in the present practice is necessary. (Para. 234)

(94) As scrap is being allocated for purposes for which good steel is not available, the control on scrap should continue for the present. (Para. 239)

(95) There should be no restrictions on inter-State movement of scrap. (Para. 240)

(96) Some control over quality of re-rolled steel is desirable, especially when it is used for constructional purposes, where there may be danger to human life if the material is below standard. (Para. 240)

(97) In respect of the control on iron and steel, powers may be delegated to District Magistrates and other officers of similar status. (Para. 241)

(98) There should be uniformity in the application of the Orders in respect of iron and steel in all the States. (Para. 242)

(99) There are no strong reasons to provide for the continuation of the Supply and Prices of Goods Act, 1950. It may be allowed to lapse. (Para. 250)

(100) The Orders and Notifications, etc. under the Drugs (Control) Act, 1950, and the corresponding Part A and Part B State laws may be withdrawn. (Para. 253)

(101) The suggestion that dealers and producers of drugs and medicines should mark prices on the drugs and medicines sold by them is commended to them. (Para. 254)

## ACKNOWLEDGEMENT

256. We would like to place on record our appreciation of the co-operation that we have received from the various interests during the course of our inquiry. The State Governments, Chambers of Commerce, Trade Associations, Trade Unions and a number of economists, officials of the Government of India and other individuals have furnished us with detailed replies to our Questionnaire as well as notes and memoranda besides giving evidence before us. We should like to thank all of them for their assistance.

We are greatly indebted to our energetic and efficient Secretary, Shri M. A. Mulky. His experience in the Ministry of Commerce and Industry, his thorough knowledge of the background and intricacies of the problems we had to tackle were most valuable to us. The Secretary's arduous duties included collecting a vast mass of information, arranging the Committee's tours and interviews with numerous witnesses, taking notes of evidence and of the discussions of the Committee, analysing the available material and preparing drafts of the report for our consideration. We appreciate the thorough manner in which Shri Mulky has discharged these duties. The staff of the Committee, Shri M. B. Tawadey, Assistant, Shri V. J. Sane, Shri R. R. Rao, and Shri M. Krishnan, Stenographers, had also to work extremely hard and often at very great pressure, and we highly appreciate their ready and cheerful co-operation.

S. V. KRISHNAMOORTHY RAO,

*Chairman.*

M. A. MULKY,  
*Secretary.*  
NEW DELHI,  
15th July, 1953.

M. P. PAI;  
L. K. JHA,  
B. N. LOKUR,  
S. R. SEN,  
P. M. NABAR,  
*Members.*



## APPENDIX I

### *Questionnaire*

*N.B.*—(i) Reply to this Questionnaire with seven spare copies should be addressed to the Secretary, Commodity Controls Committee, Ministry of Commerce and Industry, New Delhi.

(ii) Separate Notes may be sent in respect of each commodity in which you may be interested.

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(1) How has the working of the Essential Supplies (Temporary Powers) Act, 1946, the Supply and Prices of Goods Act, 1950, and the Drugs (Control) Act, 1950, and the Orders thereunder reacted on the general economy of the country, in particular on the production, supply, distribution and the price structure of the commodities under control?

(2) How has the recent relaxation of controls in respect of certain commodities affected the economy of the country?

(3) Do you consider that controls on any of the commodities should be totally removed? If so, please give reasons.

(4) Do the present difficulties in transport necessitate the continuance of controls on any of the commodities?

(5) Do you consider that controls on any or all the commodities should be in any way relaxed? What, according to you, should be the minimum measure of control?

(6) What measures do you suggest to prevent the possibility of hoarding, profiteering and soaring of prices consequent on the removal or relaxation of such controls?

(7) Are any of the features of the existing control system faulty or objectionable? Can you make any suggestions for improving the system without making it less effective?

(8) Are the existing provisions relating to detection, investigation and trial of offences for contravention of the control laws and the punishments and penalties therefor adequate? Are these provisions having any deterrent effect? Do you suggest any modifications therein?

(9) Do you suggest any improvement in the present set-up of the administrative, executive and enforcement machinery?

(10) Are you aware of any difficulties experienced in the enforcement of the control laws? What are your suggestions to overcome them?

(11) Do you suggest any modifications in the existing policy and practice of delegation of powers under the control laws?

(12) Do you consider that appointment of Advisory Control Committees at the Centre, in the States and in the Districts, will improve the working and administration of the controls?

(13) Do you suggest any modifications in the existing policy of the fixation of prices with respect to any of the commodities under control?

(14) Have you any suggestions to make for simplifying and co-ordinating the laws relating to control?

(15) Have you any other suggestions to make?

Name.....

Address.....

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## APPENDIX II

*List of State Governments, Chambers of Commerce etc., from whom replies to the Questionnaire have been received.*

### *(a) State Governments.*

1. Government of Assam.
2. Government of Bihar.
3. Government of Bombay.
4. Government of Madhya Pradesh.
5. Government of Madras.
6. Government of Orissa.
7. Government of Punjab.
8. Government of Uttar Pradesh.
9. Government of West Bengal.
10. Government of Hyderabad.
11. Government of Madhya Bharat.
12. Government of Mysore.
13. Government of Patiala and East Punjab States Union.
14. Government of Rajasthan.
15. Government of Saurashtra.
16. Government of Travancore-Cochin.
17. Government of Vindhya Pradesh.
18. Government of Ajmer.
19. Government of Bhopal.
20. Government of Bilaspur.
21. Government of Coorg.
22. Government of Delhi.
23. Government of Himachal Pradesh.
24. Government of Kutch.
25. Government of Tripura.
26. The Andaman and Nicobar Islands.

### *(b) Chambers of Commerce and Trade Associations.*

1. The Madras Piecegoods Merchants' Association, Madras.

2. The South India Oil Engines and Machinery Importers' and Dealers Association, Madras.
3. The Madras Oil and Seeds Merchants' Association, Madras.
4. The Madras Yarn Merchants' Association, Madras.
5. The Chemists and Druggists' Association, Madras.
6. The Madras Chamber of Commerce, Madras.
7. The Andhra Chamber of Commerce, Madras.
8. The Madras Provincial Foodgrains Merchants' Association, Madras.
9. Southern India Chamber of Commerce, Madras.
10. The Southern India Skin and Hide Merchants' Association, Madras.
11. The Chamber of Commerce, Trichur.
12. The Travancore-Chamber of Commerce, Allepy.
13. South India Tanners' and Dealers Association, Ranipet.
14. The Godavari Chamber of Commerce, Kakinada.
15. The Tamilnad Foodgrains Merchants' Association, Mathurai.
16. The Southern India Millowners' Association, Coimbatore.
17. The Indian Chamber of Commerce, Tuticorin.
18. The Andhra Chemists and Druggists Federation, Kovvur.
19. The Madura Ramnad Chamber of Commerce, Mathurai.
20. The Cochin Chamber of Commerce, Cochin.
21. The Mysore Chamber of Commerce, Bangalore.
22. Indian Chamber of Commerce, Coimbatore.
23. The Calcutta Salt Merchants' Association, Calcutta.
24. Hindustan Chamber of Commerce, Calcutta.
25. The Metal Market Review, Calcutta.
26. Bharat Chamber of Commerce, Calcutta.
27. Indian Mining Association, Calcutta.
28. Indian Chemical Manufacturers' Association, Calcutta.
29. Indian Chamber of Commerce, Calcutta.
30. The Bengal Chemical and Pharmaceutical Works Ltd., Calcutta.
31. The Engineering Association of India, Calcutta.
32. The Indian Mining Federation, Calcutta.
33. The Bengal Chamber of Commerce and Industry, Calcutta.
34. The Associated Chambers of Commerce of India, Calcutta.

35. The Coal Consumers' Association of India, Calcutta.
36. Calcutta Trade Association, Calcutta.
37. Bengal National Chamber of Commerce, Calcutta.
38. Indian Paper Mills Association, Calcutta.
39. Indian Market Publications, Bombay.
40. The Millowners' Association, Bombay.
41. Sapt Textiles Products (India) Ltd., Bombay.
42. The Indian Rubber Industries Association, Bombay.
43. The Bombay Provision Merchants' Association, Bombay.
44. M/s. Anandji Haridas & Co., Bombay.
45. The Zandu Pharmaceutical Works Ltd., Bombay.
46. The Bombay Dyeing and Manufacturing Co., Bombay.
47. The Bombay Piecegoods Merchants' Association, Bombay.
48. The East India Cotton Association, Bombay.
49. The Iron, Steel and Hardware Merchants' Chamber of India, Bombay.
50. The Oil Merchants Chamber Ltd., Bombay.
51. The Indian Salt Manufacturers Association, Bombay.
52. Indian Merchants Chamber, Bombay.
53. The Central Organisation of Oil Industry and Trade, Bombay.
54. The Pharmaceutical and Allied Manufacturers and Distributors Association, Bombay.
55. Tata Industries Ltd., Bombay.
56. The Bombay Oilseeds Exchange Ltd., Bombay.
57. Mill Mazdoor Union, Bombay.
58. The Bombay Provincial Hotel Federation, Bombay.
59. M/s. Sarabhai Chemicals, Baroda.
60. The Merchants' Association, Sangli.
61. The Ahmedabad Millowners' Association, Ahmedabad.
62. The All India Chemists and Druggists Federation, New Delhi.
63. Federation of Indian Chambers of Commerce and Industry, New Delhi.
64. Indian National Trade Union Congress, New Delhi.
65. Delhi Hindustani Mercantile Association, Delhi.
66. Punjab Merchants' Chamber, Delhi.
67. Madhya Pradesh Millowners' Association, Nagpur.
68. Nagpur Chamber of Commerce, Nagpur.

69. M/s. Anandji Haridas & Co., Ltd., Nagpur.
70. The Provincial Weavers Co-operative Ltd., Nagpur.
71. Bihar Chamber of Commerce, Patna.
72. Indian Colliery Owners' Association, Dhanbad
73. The Textile Manufacturers' Association, Amritsar.
74. M/s. Shambhunath & Sons Ltd., Amritsar.
75. District Chemists Association, Ludhiana.
76. The Western U.P. Chamber of Commerce, Meerut.
77. National Chamber of Industries and Commerce, Agra.
78. Upper India Chamber of Commerce, Kanpur.
79. Sambhar Salt Merchants' Association, Ltd., Sambhar Lake.
80. The Salt Merchants' Association, Ltd., Sabhar Lake.
81. Indian Coal Merchants' Association, Jharia.
82. Madhya Bharat Chamber of Commerce and Industry, Gwalior.
83. Assam Chamber of Commerce, Shillong.
84. Assam Rice Mills Association, Gauhati.

(c) *Members of Parliament and other Individuals.*

1. Shri H. D. Rajah, M.P.
2. Shri R. G. Agarwala, M.P.
3. Shri Bhogilal Magan Lal Shah, M.P.
4. Shri Rajpat Singh Doogar, M.P.
5. Shri R. K. Mookerji, M.P.
6. Shrimati Angelina Tiga, M.P.
7. Shri Tulsidas Kilachand, M.P.
8. Shri Manu Subedar, Bombay.
9. Shri Charat Ram, Delhi.
10. Shri Ratilal A. Shaw, Coimbatore.
11. Shri P. Banerjee, Calcutta.
12. Shri Pundlik Rao Motghare, Nagpur.

(d) *Ministries of the Government of India.*

1. Ministry of Commerce and Industry.
2. Ministry of Food and Agriculture.
3. Ministry of Health.
4. Ministry of Natural Resources and Scientific Research.
5. Ministry of Production.
6. Ministry of Transport.
7. Ministry of Works, Housing and Supply.

### APPENDIX III

#### *List of Witnesses examined by the Committee.*

##### (a) *State Governments.*

1. Government of Assam.
2. Government of Bihar.
3. Government of Bombay.
4. Government of Madhya Pradesh.
5. Government of Madras.
6. Government of Orissa.
7. Government of Punjab.
8. Government of Uttar Pradesh.
9. Government of West Bengal.
10. Government of Hyderabad.
11. Government of Madhya Bharat.
12. Government of Mysore.
13. Government of Patiala and East Punjab States Union.
14. Government of Rajasthan.
15. Government of Vindhya Pradesh.
16. Government of Ajmer.
17. Government of Bhopal.
18. Government of Coorg.
19. Government of Delhi.
20. Government of Himachal Pradesh.
21. Government of Tripura.

##### (b) *Chambers of Commerce and Trade Associations.*

1. Delhi Hindustani Mercantile Association, Delhi.
2. Bombay Piecegoods Merchants' Association, Bombay.
3. Pharmaceutical & Allied Manufacturers Association, Bombay.
4. Chemists and Druggists Association, Bombay.
5. Bombay Oilseeds Exchange Ltd., Bombay.
6. Bombay Millowners' Association, Bombay.
7. Indian Merchants' Chamber, Bombay.

8. Madras Chamber of Commerce, Madras.
9. Triplicane Urban Co-operative Society Ltd., Madras.
10. Andhra Chamber of Commerce, Madras.
11. Southern India Chamber of Commerce, Madras.
12. Southern India Skin and Hide Merchants' Association, Madras.
13. South India Tanners and Dealers' Association, Ranipet.
14. Indian Leather Federation, Melvisharam.
15. Indian Chamber of Commerce, Coimbatore.
16. Southern India Millowners' Association, Coimbatore.
17. Madras Piecegoods Merchants' Association, Madras.
18. Madras Oilseeds Merchants' Association, Madras.
19. Chemists and Druggists Association, Madras.
20. Madras Provincial Foodgrains Merchants' Association, Madras.
21. Mysore Chamber of Commerce, Bangalore.
22. Rice Millowners' Association, Mercara.
23. Bihar Chamber of Commerce, Patna.
24. Bengal National Chamber of Commerce, Calcutta.
25. Hindustan Chamber of Commerce, Calcutta.
26. Bharat Chamber of Commerce, Calcutta.
27. Indian Chamber of Commerce, Calcutta.
28. Indian Mining Association, Calcutta.
29. Indian Coal Merchants' Association, Jharia.
30. Indian Mining Federation, Calcutta.
31. Indian Colliery Owners' Association, Dhanbad.
32. Bengal Chamber of Commerce and Industry, Calcutta.
33. Bengal Millowners' Association, Calcutta.
34. Calcutta Salt Merchants' Association, Calcutta.
35. Calcutta Trades Association, Calcutta.
36. Indian Chemical Manufacturers' Association, Calcutta.
37. Assam Chamber of Commerce, Shillong.
38. Rice Millowners' Association, Gauhati.
39. Indian Tea Association (Assam Branch), Shillong.
40. Sambhar Salt Merchants' Association Ltd., Sambhar Lake.
41. The Salt Merchants' Association Ltd., Sambhar Lake.
42. Federation of Indian Chambers of Commerce and Industry,  
New Delhi.



43. Madhya Pradesh Chamber of Commerce, Nagpur.
44. Madhya Pradesh Millowners' Association, Nagpur.
45. Hyderabad (Deccan) Chamber of Commerce and Industries, Hyderabad-Deccan.

(c) Trade Unions.

1. Mill Mazdoor Union, Bombay.
2. Chemical Mazdoor Sabha, Bombay.
3. National Engineering Workers Union and Rashtriya Chemical Kamgar Sangh, Bombay.
4. All-India Trade Union Congress, Bombay.
5. Bengal Provincial Trade Union Congress, Calcutta.

(d) Members of Parliament, Economists and other Individuals.

1. Shri Simhasan Singh, M.P.
2. Dr. Ram Subhag Singh, M.P.
3. Prof. N. G. Ranga, M.P.
4. Shri S. Guruswamy, M.P.
5. Shri S. K. Patil, M.P.
6. Shri H. D. Rajah, M.P.
7. Dr. V. K. R. V. Rao, New Delhi.
8. Shri E. P. W. Da Costa, New Delhi.
9. Lala Shri Ram, New Delhi.
10. Shri A. D. Gorwala, Bombay.
11. Shri Nakul Das, Shillong.
12. U. Rostanwell War, Shillong.
13. Shri Hari Prasad Barua, Shillong.
14. Shri D. N. Dutt, Shillong.
15. Shri N. C. Rajnowa, Shillong.
16. Shri C. C. Sean, Shillong.
17. Shri S. B. Chaudhury, Shillong.
18. Shri N. K. Dutt, Shillong.
19. Shri Gilbert Ray, Shillong.
20. Shri L. P. Cjangkakati, Shillong.
21. Mr. J. L. Hards, Shillong.
22. Shri K. N. Nagarkatti, Nagpur.
23. Shri Vasantbhai Shah, Nagpur.

24. Shri Pundalikrao Motghare, Nagpur
25. Shri N. S. Dashottar, Nagpur.
26. Shri Jiwanlal Gupta, Nagpur.
27. Shri Hansraj Sampat, Nagpur.
28. Shri Akolawala, Nagpur.
29. Shri Narendra Tidke, M.L.A., Nagpur.
30. Shri A. Rahimtula, Hyderabad.
31. Shri Pannalal Bansilal, Hyderabad.
32. Shri M. V. Boljee, Secunderabad.
33. Shri Bhagat Ram, Hyderabad.
34. Shri Dundoo Balanarasiah, Hyderabad
35. Shri Bhim Sen Dengarsee, Hyderabad.

(e) Officials.

1. Shri T. Swaminathan, I.C.S., Textile Commissioner, Bombay.
2. Shri R. K. Ramadhyani, I.C.S., Coal Commissioner, Calcutta.
3. Mr. L. S. Corbett, Chief Mining Engineer, Railway Board and, Deputy Coal Commissioner, Calcutta.
4. Shri B. L. Ohri, Joint Deputy Coal Commissioner, Calcutta.
5. Shri C. R. Natesan, Iron & Steel Controller, Calcutta.
6. Shri S. C. Aggarwal, Salt Commissioner, New Delhi.

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